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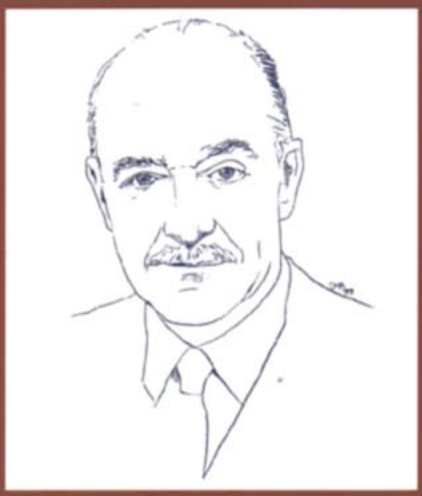

Henry Hazlitt:
A Man for Many Seasons

Free Speech:
An Endangered Species
in India

Private Property
from Soweto to Shanghai

The Market for
Low Cholesterol

NOVEMBER 1989

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Published by
The Foundation for Economic Education
Irvington-on-Hudson, NY 10533

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The Freeman is the monthly publication of The Foundation for Economic Education, Inc., Irvington-on-Hudson, NY 10533 (914) 591-7230. FEE, founded in 1946 by Leonard E. Read, is a nonpolitical educational champion of private property, the free market, and limited government. FEE is classified as a 26 USC 501 (c) (3) tax-exempt organization. Other officers of FEE's Board of Trustees are: Thomas C. Stevens, chairman; Ridgway K. Foley, Jr., vice-chairman; Paul L. Poirot, secretary; H.F. Langenberg, treasurer.

The costs of Foundation projects and services are met through donations. Donations are invited in any amount. Subscriptions to *The Freeman* are available to any interested person in the United States for the asking. Additional single copies $1.00; 10 or more, 50 cents each. For foreign delivery, a donation of $15.00 a year is required to cover direct mailing costs.

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Bound volumes of *The Freeman* are available from The Foundation for calendar years 1969 to date. Earlier volumes as well as current issues are available on microfilm from University Microfilms, 300 North Zeeb Road, Ann Arbor, MI 48106.

The Freeman considers unsolicited editorial submissions, but they must be accompanied by a stamped, self-addressed envelope. Our author's guide is available on request.

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Cover illustration of Henry Hazlitt. © Deborah Melvin Beisner, 1989

Is Aid Helping Prolong the Sudanese War?

The government of the Democratic Republic of Sudan has become increasingly dissatisfied with the United States and other Western governments for failing to provide sufficient aid. This was never more evident than following last year's flooding in northern Sudan, when Information Minister Abdallah Mohamed Ahmed called the U.S. "miserly" and said, "[their response] has let us know who our true friends are." (*The Daily Nation* [Nairobi, Kenya], August 26, 1988)

Gone are the days when gifts, regardless of size, were gratefully received. Foreign aid has come to be expected as a right, and provides a large chunk of many Third World nations' budgets. Many Third World governments limp from crisis to crisis, ever promising but rarely delivering true reform. And with the supply taps endlessly open, there is little incentive for reform.

In fact, why end the current civil war? Time was when starving people and endless destruction made it impossible to continue a war. But now war simply brings in more foreign aid. So where is the incentive to stop it?

—J. KEITH BATEMAN
Juba, Sudan

Knowledge of the Law Is No Excuse

The Dallas Morning News says HUD overcharges have cost the taxpayers $1 billion in the last five years.

My goodness, a billion dollars. That must be a lot of money. But you couldn't prove it by me.

It's so far beyond my comprehension that . . . well, like a giant star that's a billion miles away, to me it's next to nothing.

But let me tell you what I can understand: $165.

A friend of mine, who is kind of weird, was telling me about it. (I say he's weird, but in a nice way. He's a doctor who still makes house calls.)

What it is, he has a lawyer acquaintance who all the time is trying to make him understand he

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should be making more money.

"He was telling me what a terrible businessman I am," the doctor said, chuckling. "But I guess he thought if I was smart enough to know what a doctor knows, maybe I was smart enough to learn what a lawyer knows.

"Real estate—that's the ticket, he said. I needed to diversify, invest, to widen my holdings.

"Well, what do I know about real estate? Real estate has nothing to do with medicine.

"For that matter, I asked him, what does a lawyer know about real estate? Real estate has nothing to do with law.

"He didn't answer me directly. Instead he started telling me about a piece of property he owned, a house that he rents out. It so happened I knew which house it was, though I hadn't known he owned it.

"I said, 'You mean that old falling down house with the rusty tin roof?'

"He said, 'Don't make fun of it. That old house puts rent money in my pocket every month.'

"I laughed and said, 'How much money can a place like that rent for?'

"Now it was his turn to laugh. 'Would you believe $330 a month,' he said.

"I said, 'Good night! What idiot would pay $330 for a dump?'

"He said, 'No idiot would. But HUD pays half of it.'

"I said, 'Are you telling me that you're not only making money off poor people, but the taxpayers as well? And you're telling me that's what I ought to do?'

"He sort of took offense at that. He said, 'Well, it's all perfectly legal.'

"I guess he had me there. I'm no lawyer. But I do know this much, that there can be a big difference between legality and morality, and I told him so."

Personally, I haven't seen the property and have no way of knowing if my doctor friend is correct, that it's a bad deal for everybody involved, poor people and taxpayers alike.

I do know this much: that half of $330 is $165.

Just for the fun of fiddling with figures, let's say there are 10 such bad deals in this county, amounting to $1,650 a month in HUD money or $19,800 a year.

Multiply that figure times the 256 counties in Texas. All of a sudden you've topped $5 million.

Take it one more step, $5 million times 50 states, and by golly we're at the quarter of a billion dollar mark.

In just four years—not five—you have found a billion dollars in bad deals.

But like the fellows say, here in Lufkin and there in Washington, it was all perfectly legal.

Far be it from me to suggest otherwise. About the only legal precept I know is that ignorance of the law is no excuse.

Too bad it doesn't work the other way as well: that knowledge of the law is no excuse.

— JOE MURRAY,
writing in the July 3, 1989, issue of *The Lufkin Daily News,* Lufkin, Texas, a member of Cox Newspapers, Inc

FEE Salutes Henry Hazlitt

November 28, 1989, marks the 95th birthday of Henry Hazlitt, noted author and economist. Mr. Hazlitt has served FEE as a Trustee since its beginning in 1946 and was recently voted the designation "Founding Trustee" by his fellow members of the Board.

For a glimpse at Mr. Hazlitt's illustrious career, see Bettina Bien Greaves' article, "Henry Hazlitt: A Man for Many Seasons," starting on page 420.

This fall FEE published *Henry Hazlitt: An Appreciation*, a collection of essays by and about Mr. Hazlitt. The booklet also contains Mrs. Greaves' annotated bibliography of Mr. Hazlitt's books.

Henry Hazlitt: An Appreciation is available from FEE free of charge with the purchase of *Economics in One Lesson* (paperback $7.95).

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Henry Hazlitt: A Man for Many Seasons

by Bettina Bien Greaves

Editors' Note: November 28 marks the 95th birthday of the noted author and economist Henry Hazlitt, who has served with great distinction as a Trustee of The Foundation for Economic Education since FEE was founded in 1946, and whose personal papers and library are now housed at FEE. To mark Mr. Hazlitt's birthday, we are pleased to offer this essay by Bettina Bien Greaves, a member of the Senior Staff of FEE, who has known Henry Hazlitt for many years.

Henry Hazlitt, author, journalist, editor, reviewer, economist, has written or edited 18 books and countless articles, columns, editorials, and book reviews. He has gained renown in at least three areas: as a popularizer of sound economic thinking, as a critic of John Maynard Keynes, and as a contributor to moral philosophy. His *Economics in One Lesson* (1946), a long-time best seller, is one of the finest introductions there is to sound economics. His critique of Keynes, *The Failure of the "New Economics"* (1959), and his explanation of moral philosophy, *The Foundations of Morality* (1964), are valuable contributions to knowledge and understanding, to economic theory and the principles of social cooperation. Henry Hazlitt is a man for many seasons. His writings will live for generations.

Early Childhood and Youth

Henry Stuart Hazlitt was born in Philadelphia on November 28, 1894, the son of Stuart Clark Hazlitt and Bertha (Zauner) Hazlitt. His father died when Henry was a baby. His first years in school were spent at Girard College, a school in Philadelphia for poor, fatherless boys.

When Henry was 9, his mother remarried and their fortunes revived. The family moved to Brooklyn, New York, and it was there, at Public School 11 and Boys' High School, that Henry received most of his formal education.

Henry has apparently always had a gift for writing. His high school English teacher recognized his talent and appointed him "chief critic" of his fellow students' test papers. This was "not an entirely gratifying distinction,"* Henry wrote later, for it did not endear him to his classmates.

When Henry finished high school, he entered New York City's free-tuition City College of New York (CCNY), but was forced to drop out after a few months. His stepfather had died and he had to support his widowed mother.

An inexperienced high school graduate wasn't worth much on the job market. The only work for which Henry was then qualified was as an office boy at $5 a week. He was fired from his first job after only two days. But that didn't faze him. He simply went out and got another job. At that time there were no legal obstacles to hiring and firing—no minimum wage with which an employer had to comply, no Social Security or unemployment taxes to pay, no income taxes to withhold, no restrictions on hours or working conditions. Any would-be employer could hire anyone who wanted to work. If the arrangement didn't work out, the employer could let the employee go without penalty. Or the employee could leave, confident that he could easily find other employment.

Henry had a succession of jobs at $5 per week.

**Phrases within quotation marks attributed to Hazlitt are taken either from his autobiographical notes or from transcripts of interviews with him.*

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When he learned that secretaries could earn $15 per week, he determined to learn shorthand and typing. For several weeks he attended a secretarial school. With his newly acquired skills, he could command $10 to $12 per week. But again none of his jobs lasted very long—he hadn't yet found his niche. Finally he decided he wanted to be a newspaper reporter. He applied for a job and was hired by *The Wall Street Journal.*

The Journal at that time was much smaller than it is now, and it reported primarily Wall Street news. Hazlitt's bosses at *The Journal* dictated editorials to him on the typewriter and reporters called in their stories to him over the phone. Gradually he learned through on-the-job training.

Although he still knew very little about economics or the market, he was assigned to be the reporter in charge of following a half dozen small companies. When he attended one annual meeting, he learned how very little he knew. The management voted unexpectedly to "pass" its dividend, that is to pass over or to omit it. Hazlitt assumed "passing" a dividend meant "approving" the dividend. Fortunately for him, however, when he turned in his report he used their term; he said the dividend had been "passed." His on-the-job training proceeded apace; he promptly learned the investment definition of that word, and no one was the wiser.

The Journal at that time had a "By-the-Way" column, composed of brief quips about current events. Members of the staff were encouraged to submit entries anonymously. To collect payment if an entry was used (75 cents per published entry), the author turned in the carbon copy of his entry. With Henry's gift for expression, he soon became a persistent contributor and in time almost doubled his income with what he received for his short, clever "By-the-Way" paragraphs.

Hazlitt's Do-It-Yourself Education

Henry Hazlitt was energetic, ambitious, and industrious. On-the-job training wasn't enough for him. He was determined to get the education he had missed when he had to drop out of college. So he started his own reading program. He read about Shakespeare and the Marlowe controversy. He learned about evolution and the role of the state by reading Herbert Spencer. He began to read about economics and the stock market. In time, the depth and breadth of his reading gave him a broad liberal arts education. A book titled *The Work of Wall Street* made him realize the importance of economics and philosophical reasoning. From then on he read with a purpose—concentrating on economics. He read a couple of college texts. Although he lacked sophistication in economics, his natural good sense warned him to be on guard against socialist ideas.

One book he ran across while browsing in a library, *The Common Sense of Political Economy* (1910) by Philip H. Wicksteed, a British Unitarian minister, had a profound influence on him. Wicksteed had become acquainted with the Austrian school of economics, the first school of economics to recognize that "value" is subjective and that market prices stem from the subjective values of individuals. This insight helped to shape Hazlitt's intellectual development and led him to a firm understanding of market operations and the marginal utility theory of economics.

In addition to reading, young Henry also devoted some time every day to writing. He set out to write a book on a very ambitious subject, *Thinking as a Science*, and before many months had passed, it was finished. He submitted the book to five publishers, received five rejections, and got discouraged. Then a high school friend urged him to send it out once more. He did—and this time it was accepted by the well-known firm of E. P. Dutton & Co. In 1916, at the age of 22, Henry Hazlitt became a published author.

In 1916, Hazlitt left *The Wall Street Journal* and moved to the *New York Evening Post,* where he put his Wall Street experience to use writing "Wall Street Paragraphs." He was working at the *Post* in 1917 when the United States entered World War I.

World War I

Henry wanted to volunteer, as some of his friends were doing, but he couldn't afford to do so. The Army paid only $30 per month, not enough for him to support his mother. Then the Air Force announced that it was offering enlistees $100 per month. Henry volunteered, only to discover that, in spite of their published offer, the Air Force paid enlistees no more than the Army

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did. But once in the Air Force, he couldn't get out. Henry's mother had a rough time financially while he was away.

The Air Force sent Henry to Texas, to Princeton for ground school studies, and then back to Texas for flying instruction; he didn't get overseas. Hazlitt was still in Texas when the war ended.

A few days after the Armistice was signed, the *New York Evening Post* wired Hazlitt that his successor in writing "Wall Street Paragraphs" was leaving. He could have his old job back if he could be there in five days. Hazlitt took off almost immediately for New York by train, went directly to the office, suitcase in hand, and worked in uniform his first day back on the job.

Hazlitt soon returned to his old regimen of reading and writing for his own education and edification. Before long he had written a second book, *The Way to Will Power,* published in 1922. At that time, *Who's Who* had a policy of automatically listing any author who had had two books published by reputable firms. So at 28, Henry was a two-time author and his name appeared in *Who's Who.*

Benjamin M. Anderson

After Hazlitt returned from the Air Force, he continued his pursuit of economic understanding. Among other books on monetary theory, he read Benjamin M. Anderson's *The Value of Money* (1917). Hazlitt considered that book "profound and original" and he learned a great deal from it. Anderson, then teaching at Harvard, later became economist with the Bank of Commerce and then with the Chase National Bank. When Hazlitt was financial editor for the *New York Evening Mail* (1921-1923), he occasionally interviewed Anderson in connection with articles he was writing, and the two men soon became friends. Hazlitt wrote the foreword to Anderson's important work, *Economics and the Public Welfare: Financial and Economic History of the United States, 1914-1946* (1949).

In *The Value of Money*, Anderson had reviewed a large number of writers, American and foreign, most of them rather critically, on the subject of money. But when he came to the Austrian economist, Ludwig von Mises, he wrote that he found in his work "very noteworthy clarity and power. His *Theorie des Geldes und der Umlaufsmittel* [later translated into English as *The Theory of Money and Credit*] is an exceptionally excellent book." This was the first time Hazlitt had heard of Mises, but he remembered his name and Anderson's comment. Years later when Mises' works became available in English, Hazlitt made it a point to read them.

A Career of Reading and Writing

Throughout his life, Henry Hazlitt has spent most of his time at the typewriter and with books. From age 20, he wrote something almost every day—news items, editorials, reviews, articles, columns. By his 70th birthday, he figured he must have written "in total some 10,000 editorials, articles, and columns; some 10,000,000 words! And in print! The verbal equivalent of about 150 average-length books." Hazlitt has also written or edited 17 books. (See the list at the end of this article.) His early works were literary and philosophical, his later books largely economic.

After leaving *The Wall Street Journal*, Hazlitt worked in various capacities—as economic commentator, financial editor, book reviewer, editorial writer, literary editor, columnist, and editor—for five different newspapers including *The New York Times* (1934-1946), a monthly financial letter, and three magazines, including *Newsweek* (1946-1966) for which he wrote the "Business Tides" column. In 1950, while still writing for *Newsweek*, Hazlitt and John Chamberlain became editors of the newly founded biweekly magazine, *The Freeman*, predecessor of this journal. (See the note at the end of this article for a list of the publications with which Hazlitt has been associated.) After he left *Newsweek* in 1966, he became an internationally syndicated columnist.

Hazlitt's reading and studying over the years to satisfy his own intellectual curiosity spanned a broad spectrum of subjects. His vast reading, especially when he was a literary editor and book reviewer, is evident in *The Anatomy of Criticism* (1933), in which he discussed the critic's role, the influence of the critic on the public, and the influence of the times on the critic. Hazlitt's prodigious reading and prolific writing throughout these years were preparing him for the important contributions he was to make to the understand-

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ing of economic theory and social cooperation.

As a result of Hazlitt's various assignments writing about financial and stock market news, his interests had been gradually directed toward business and economics. He read many books on economics, and he became knowledgeable as an economist. But he did not write a book on the subject until 1946.

The New York Times

As a patriotic gesture, *The New York Times* had made a promise not to fire anyone during the Depression. This proved a very costly promise to keep. It meant for one thing that *The Times* did no hiring for a couple of years. By 1934 they were in dire need of someone who knew economics. Thus, in the midst of the Depression, Hazlitt was hired by *The Times* as an editorial writer.

The Times was then being run by Arthur Sulzberger, son-in-law of the fairly "conservative" publisher and controlling owner, Adolph S. Ochs. Management seldom interfered with Hazlitt's editorials, although Ochs' daughter, Mrs. Sulzberger, would occasionally call Hazlitt and suggest some "leftist" idea. Hazlitt would explain, "The trouble with that, Mrs. Sulzberger, is . . ." She would reply, "Well, you know best." Thus, *The Times* pretty much published what Hazlitt wrote—at least until 1944. More about this later.

Mises and Hayek

Hazlitt is proud of his role in helping to introduce two economic giants to readers in this country—Ludwig von Mises, leading spokesman for the Austrian school of economics for many years, and Friedrich A. Hayek, also an Austrian economist, Mises' protégé, and Nobel Prize Laureate in 1974.

As mentioned above, Hazlitt first heard of Mises through Benjamin Anderson's *The Value of Money*. Years later when Hazlitt came across Mises' *Socialism*, he reviewed it in *The New York Times*. His review appeared in the January 9, 1938, Book Review Section: "[T]his book must rank as the most devastating analysis of socialism yet penned. Doubtless even some anti-Socialist readers will feel that he occasionally overstates his case. On the other hand, even confirmed Socialists will not be able to withhold admiration from the masterly fashion in which he conducts his argument. He has written an economic classic in our time."

Mises was then living and teaching in Switzerland. As a courtesy, Hazlitt mailed a copy of his review to the author and the two men exchanged a couple of brief letters. Two years later Mises came to the United States to escape the strife of World War II. Hazlitt was one of Mises' few contacts in this country and Mises telephoned him. To Hazlitt, Mises was a "classic," an author from a previous era. Mises' call, Hazlitt recalled later, was almost as much of a surprise as if he had heard from such a legendary economic figure as Adam Smith or John Stuart Mill.

In 1944, Hazlitt reviewed F. A. Hayek's *The Road to Serfdom* in *The New York Times*. As a young man in his native Austria, Hayek had come to know Nazism firsthand. In England where he was living and teaching just before the start of World War II, he observed the same interventionist trends that he had seen on the Continent. In 1944, in a devastating critique of Nazism, *The Road to Serfdom*, he warned the British that they were heading down the same path.

The book stunned academia and the political world. Hazlitt's review, featured on page one of *The Times*' Book Review Section (September 24, 1944), compared Hayek's *The Road to Serfdom* to John Stuart Mill's *On Liberty*. Hazlitt described it as "one of the most important books of our generation." The University of Chicago Press had printed only 3,000 copies, and when the book made the best-seller list the publisher's stock was soon exhausted, and they had to begin reprinting right away.

Bretton Woods

When John Maynard Keynes' scheme for the International Monetary Fund and the International Bank for Reconstruction and Development (World Bank) was under discussion in Bretton Woods, New Hampshire, *The Times* offered to send Hazlitt to the conference. But Hazlitt saw no reason to go. He was opposed to the discussions. He said he could learn more by reading about them than he could by going there and talking with participants. Besides, if he stayed in

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New York he could also write editorials on other subjects. So he didn't go.

While editorial opinion across the nation was largely favorable to the Bretton Woods discussions, Hazlitt was criticizing them. His editorials were the only "sour note." When it was announced that 43 governments had signed the "marvelous" Bretton Woods Agreement, Sulzberger called Hazlitt to his office. "Now, Henry, when 43 governments sign an agreement, I don't see how *The Times* can any longer combat this."

"All right," Hazlitt said. "But in that case I can't write anything further about Bretton Woods. It is an inflationist scheme that will end badly and I can't support it." After that Hazlitt wrote no more editorials on the subject for *The Times*. However, Hazlitt was also writing a Monday column for the paper's financial page, and there he continued to criticize Bretton Woods. At that point, Sulzberger suggested he might include a line at the end of Hazlitt's Monday column: "The opinions of Mr. Hazlitt are not necessarily those of *The New York Times*."

"You can do that, Mr. Sulzberger. But," Hazlitt warned, "one consequence of such a disclaimer will be that, if you don't print a similar line on other columns, the assumption will be that they are necessarily in agreement with the views of the editor of *The Times*." Sulzberger understood Hazlitt's reasoning and dropped the idea.

Economics in One Lesson

For some time Hazlitt had been mulling over the possibility of writing a "little book" on the fallacies of short-run economic interests. He discussed the idea with Mises, by then a close friend. He also told Harper's editor for economics books about his idea. The editor offered to publish the book when it was written. *The New York Times*, for which Hazlitt was still working as an editorial writer, agreed to give him every other day off without pay to write the book. *Economics in One Lesson* was the result.

To Hazlitt, writing that book "came so easily," he said later, "that I couldn't take it very seriously. . . . "[W]riting these chapters was almost like writing daily editorials. . . . It took . . . about three months of alternate days off." On the in-between days he was thinking about the book. "That meant one and a half months of actual writing."

Reader's Digest published two excerpts before the book's publication, and the book promptly became a best seller. Hazlitt had suggested that the print run be increased to satisfy the additional demand anticipated from the *Reader's Digest* publicity. Yet the publisher printed only 3,000 copies. The first week the book was out it was seventh on the *New York Times* best-seller list for non-fiction; the second week it was sixth; and then the third week it disappeared from the list altogether—there just were no more books to be sold. After some time, when it had been reprinted and was available once more, it began to sell again, although it didn't make the *Times* list again.

Writing *Economics in One Lesson* may have come easily to Hazlitt, but its impact has been enormous. It has been translated into eight languages. By 1977 it had sold 50,000 copies in hard cover, 700,000 in all editions, and it still sells at the rate of a few thousand per year, attracting new readers to economics with its delightful style and its simple explanations and illustrations of economic fallacies.

Economics in One Lesson is clearly Hazlitt's most popular book. It established him as an economic journalist *par excellence*, the modern counterpart of the Frenchman Frederic Bastiat (1801-1850), author of *The Law*. H. L. Mencken was quoted on the book jacket of the first edition as saying that Hazlitt was "the only competent critic of the arts . . . who was at the same time a competent economist, of practical as well as theoretical training, . . . one of the few economists in human history who could really write." The book has introduced countless individuals to sound economic theory.

Harper & Brothers published the first 1946 hardcover edition of *Economics in One Lesson*. Harper arranged for later paperback editions, and kept the book in print until 1974. Then, without telling Hazlitt, it let the book go out of print and canceled the contract with the paperback publisher.

When Hazlitt learned this, he approached Harper and asked about reprinting in paperback. They hesitated but said, "If you bring it up to date, we'll publish a new edition in hardback." Hazlitt revised the book. Still "they dilly-dallied," Hazlitt said, and didn't publish it in either hard-

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back or paperback. According to Hazlitt, "They *said* they didn't think it would sell in paper. Hazlitt believed their real objection must have been ideological, since the book had been selling several thousand paperback copies a year. In time Hazlitt obtained the rights to the book, and in 1979 Arlington House put out a paperback edition.

Hazlitt left *The Times* for *Newsweek* about the time *Economics in One Lesson* came out. In Hazlitt's view his situation was improved; his "Business Tides" columns in *Newsweek* would be signed; he would no longer be writing anonymously.

Critique of Keynes

Hazlitt had been impressed with John Maynard Keynes' *The Economic Consequences of the Peace* (1919) when it first came out. At that point, Hazlitt took everything Keynes said as "gospel." But in 1923, Hazlitt read Keynes' *A Tract on Monetary Reform*. By that time Hazlitt had done a fair amount of reading in monetary theory and could recognize economic errors when he read them. He was "appalled" by how "bad" a book it was and from that time on, Hazlitt "distrusted every statement Keynes made."

B. M. Anderson commented to Hazlitt later that when Keynes discussed the quantity theory of money in *A Tract on Monetary Reform*, "he even states *that* upside down." Which he did! The actual reason prices go up is that the government prints new money and distributes it to people who spend it. As the spenders compete for goods and services by bidding against other would-be spenders they make prices go up. Yet Keynes had said that when prices go up, the government must print more money to keep pace with the prices. The great German inflation was then raging (1923) and this was precisely what the German authorities were saying, that there was (as Hazlitt later paraphrased the Germans' position) "no real inflation because the present volume of currency . . . had actually a smaller purchasing power than the former volume of currency because the depreciation per unit was greater than the multiplication of units." Keynes agreed with the Germans "that it was necessary for them to keep printing marks to keep pace with the rising prices."

Whether Keynes' success was due to personal charisma, his prestigious positions with the British government, or to the "scientific" sanction his works gave politicians to do what they wanted to do anyway—that is to spend without taxing—is immaterial. The fact remains that from the 1930s on Keynes' influence was enormous. And through it all, Hazlitt continued to be amazed by Keynes' growing reputation.

In *Economics in One Lesson*, Hazlitt demolished various Keynesian programs in a rather low-key manner. Then in 1959, in *The Failure of the "New Economics,"* he critiqued Keynes' major work, *The General Theory of Employment, Interest, and Money* (1936) in detail, citing chapter and verse. *The Failure of the "New Economics"* (1959) is much more scholarly than *Economics in One Lesson*, its market narrower, but it is by no means less important.

To refute each Keynesian error, Hazlitt expounded sound economic theory in a way academia couldn't ignore. John Chamberlain, who reviewed the book in *The Freeman*, titled his review, "They'll Never Hear the End of It." The dean of the Department of Economics at a leading university questioned Hazlitt's credentials for critiquing the noted Keynes. Mises came to Hazlitt's defense. Hazlitt, Mises responded, was "one of the outstanding economists of our age," and his anti-Keynes book was "a devastating criticism of the Keynesian doctrines."

Moral Philosophy

Henry Hazlitt was a personal friend of Mises. But he was also a student of Mises in the sense that he carefully studied his work. He attended Mises' seminar at New York University quite regularly for several years. Although Hazlitt was himself an economist and author of note by then, he said about the Mises seminars that he always found that "no matter how many times I would go, no matter how often I heard in effect the same lectures, there would always be some sentence, some incidental phrase that threw more light on the subject."

One remark by Mises which impressed Hazlitt was that questions of morality and justice always refer to social cooperation. Hazlitt agreed. But he thought the statement needed elaboration. This was a subject close to Hazlitt's heart, for he had

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Lawrence Fertig, Ludwig von Mises, Leonard Read, and Henry Hazlitt during a visit to FEE in the 1960's.

longed to write a book on ethics since he was a youngster.

As he pondered the subject he was struck by the insight of a statement by Jeremy Bentham (1748-1832): "Legislation is a circle with the same center as moral philosophy, but its circumference is smaller." This idea became the theme of Hazlitt's book on ethics, *The Foundations of Morality* (1964).

In this book, Hazlitt sought to unify law, ethics, morality, and manners, and to show their relation to social cooperation. Following Bentham, Hazlitt presented law, ethics (morality), and manners as three aspects of the same thing. "[B]oth manners and morals rest on the same underlying principle. That principle is *sympathy, kindness, consideration for others.* . . . Manners are minor morals." Law, he maintained, might be called "minimum ethics" with "the same center as moral philosophy." Ethics and morality cover more territory than law; they have a "far wider sphere [than law]. . . . Morality," he wrote, "certainly calls for active benevolence beyond that called for by the law."

In *The Foundations of Morality*, Hazlitt discussed the literature on ethics and morality throughout the ages. And he described the way ethical and moral principles had been put into practice. He pointed out that the moral codes of many religions are similar and consistent with peaceful social relations. Yet their differences, as well as the cruelty and suffering inflicted on men in the name of organized religion, raise doubts as to the reliability of religious faith as a guide to ethical conduct.

Thus, Hazlitt offers a utilitarian basis for morality. The moral philosopher, he writes, should seek a "foundation" for morality that does not rest on a particular religion. "[I]t is not the function of the moral philosopher, as such," Hazlitt concludes, "to proclaim the truth of this religious faith or to try to maintain it. His function is, rather, to insist on the rational basis of all morality to point out that it does not need any su-

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Henry Hazlitt's Journalistic Career

1913-1916—*The Wall Street Journal*
1916-1918—*New York Evening Post*
1919-1920—Mechanics & Metals National Bank (monthly financial letter)
1921-1923—*New York Evening Mail* (financial editor)
1923-1924—*New York Herald* (editorial writer)
1924-1925—*The Sun*
1925-1929—*The Sun* (literary editor)
1930-1933—*The Nation* (literary editor)
1933-1934—*American Mercury* (editor)
1934-1946—*The New York Times* (editorial staff)
1946-1966—*Newsweek* (associate & "Business Tides" columnist)
1950-1952—*The Freeman* (co-editor)
1952-1953—*The Freeman* (editor-in-chief)
1966-1969—Columnist for the international *Los AngelesTimes Syndicate*

pernatural assumptions, and to show that the rules of morality are or ought to be those rules of conduct that tend most to increase human cooperation, happiness and well-being in this our present life."

Summing Up

In the course of his career, Hazlitt met many of the great and near great. As has been mentioned, he knew the economist, B. M. Anderson. He knew H. L. Mencken personally, and it was Mencken who recommended that Hazlitt succeed him as editor of *American Mercury* in 1933. Hazlitt was a frequent guest on the radio, debating face-to-face such socialist luminaries as former Vice President Henry A. Wallace, the late Secretary of State Dean Acheson, former U. S. Senators Paul H. Douglas and Hubert Humphrey. He is a Founding Trustee of The Foundation for Economic Education. He was, of course, a close friend of Mises and Hayek, but he also knew well all of the important personages in the libertarian/conservative movement—Leonard E. Read, Isabel Paterson, Rose Wilder Lane, John Chamberlain, William F. Buckley, Ayn Rand, Lawrence Fertig, and others.

Over the years, Hazlitt perfected a clear and lucid writing style. Writing so many editorials and short columns disciplined him to express himself succinctly and simply. Even his most important and profound books are composed of short, easy-to-understand chapters. Everything he writes may be read with pleasure and profit.

Throughout his career, Hazlitt has been an advocate of a minority point of view. He has been a constant critic of government intervention, inflation, and the welfare state, and he wrote books attacking them. His anti-Keynes, anti-Bretton Woods editorials, first published in *The New York Times*, also appeared later as a book (*From Bretton Woods to World Inflation*, 1984).

Hazlitt has spoken out repeatedly and untiringly in behalf of the freedom philosophy, limited government, free markets, and private property. At a banquet in 1964, honoring him on his 70th birthday, he spoke of the freedom movement and his part in it:

> Those of us who place a high value on human liberty . . . find ourselves in a minority (and it sometimes seems a hopeless minority) in ideology. . . . We are the true adherents of liberty. . . . We are the ones who believe in limited government, in the maximization of liberty for the individual and the minimization of coercion to the lowest point compatible with law and order. It is because we are true liberals that we believe in free trade, free markets, free enterprise, private property in the means of production; in brief, that we are for capitalism and against socialism. . . .
>
> I will confess . . . that I have sometimes repeated myself. In fact, there may be some people unkind enough to say I haven't been saying anything new for 50 years! And in a sense they would be right. . . . I've been preaching liberty as against coercion; I've been preaching capi-

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talism as against socialism; and I've been preaching this doctrine in every form and with any excuse. And yet the world is enormously more socialized than when I began....

Is this because the majority just won't listen to reason? I am enough of an optimist, and I have enough faith in human nature, to believe that people will listen to reason if they are convinced that it *is* reason. Somewhere, there must be some missing argument, something that we haven't seen clearly enough, or said clearly enough, or, perhaps, just not said often enough. A minority is in a very awkward position. The individuals in it can't afford to be just as good as the individuals in the majority. If they hope to convert the majority they have to be much better; and the smaller the minority, the better they have to be. They have to think better. They have to know more. They have to write better. They have to have better controversial manners. Above all, they have to have far more courage. And they have to be infinitely patient....

Yet, in spite of this, I am hopeful. . . . [We are] still free to write unpopular opinion. . . . So I bring you this message: be of good heart; be of good spirit. If the battle is not yet won, it is not yet lost either. □

Books by Henry Hazlitt

1916/1969	*Thinking as a Science*
1922	*The Way to Will Power*
1932 (ed.)	*A Practical Program for America*
1933	*The Anatomy of Criticism*
1942/1974	*A New Constitution Now*
1946	*Economics in One Lesson* (reprinted, 1948/1952; revised, 1962, 1979)
1947	*Will Dollars Save the World?*
1951	*The Great Idea* 2nd ed., *Time Will Run Back* (1966/1986)
1956	*The Free Man's Library*
1959/1983	*The Failure of the "New Economics"*
1960/1984	*The Critics of Keynesian Economics*
1960/1965	*What You Should Know about Inflation*
1964/1972	*The Foundations of Morality*
1970/1983	*Man vs. the Welfare State*
1973/1986	*The Conquest of Poverty*
1978/1983	*The Inflation Crisis and How to Resolve It*
1984	*From Bretton Woods to World Inflation: A Study of Causes and Consequences*
1984	*The Wisdom of the Stoics: Selections from Seneca, Epictetus and Marcus Aurelius* (Frances & Henry Hazlitt, eds.)

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No Vote for the Candidate

by Tibor R. Machan

There was a special election in my Congressional district recently. Our Congressman had died, and several candidates were vying for his office.

I received a letter from one of them, greeting me as "Dr. Machan." I surmised from this that someone on the candidate's staff had found my name in the university phone book, and so knew that I taught there.

Most of the letter was pretty routine, promising hard work and claiming good roots in the community. One paragraph, however, caught my eye. In it, our candidate made the following promise:

> There will be many occasions where the allocation of budgetary resources can be a major force in facilitating quality growth and development. [Your] University, for example, needs additional funding to achieve its potential for excellence. I envision a far greater role in federally-sponsored basic and applied research in a wide range of areas, many of which are untapped. My record of 14 years in [your] legislature is well-documented with support for higher education. I am particularly proud of sponsoring and providing leadership in the passage of the Eminent Scholars Bill. . . . I will be responsive to the personal needs of my constituents. . . .

Now this all sounds nice. We can send someone to Congress who will be responsive to my personal needs! In these days of runaway government spending, what we need is for one more politician to go to Washington and bring back a lot of loot for his constituents.

And people talk about the need to eliminate government waste! That is puny stuff. What is necessary is to eliminate the power of government to ladle out the kind of favors my aspiring Congressman offered. What we need are bills to limit government growth and spending, not people who make promises they can keep only by mortgaging the wealth of unborn generations or by spawning massive wealth redistribution as proof of public service.

What our country needs more than anything else is to cut back the power and influence of government, to revitalize the energies of the private sector, to rekindle the spirit of individual initiative. After all, isn't this the message of all those socialist countries that are running away from central planning? Are we not learning that blind faith in the power of government to "facilitate" virtually everything from education to health care has led to worldwide bankruptcy?

Wouldn't it be refreshing to have a candidate who is really concerned about this country's overall solvency and credibility? One might be able to vote for someone like that and feel proud. I am afraid, however, that despite all the hue and cry about deficits and sacrifice, little is going to change with our present team of leaders.

The politicians seem to have paid off the few people who might have saved us from them—those teaching about the political system we live in. These politicians will continue to make promises, and most of our university professors will continue to be as interested as the next guy in

Tibor Machan teaches philosophy at Auburn University, Alabama. He recently edited Commerce and Morality *for Rowman and Littlefield.*

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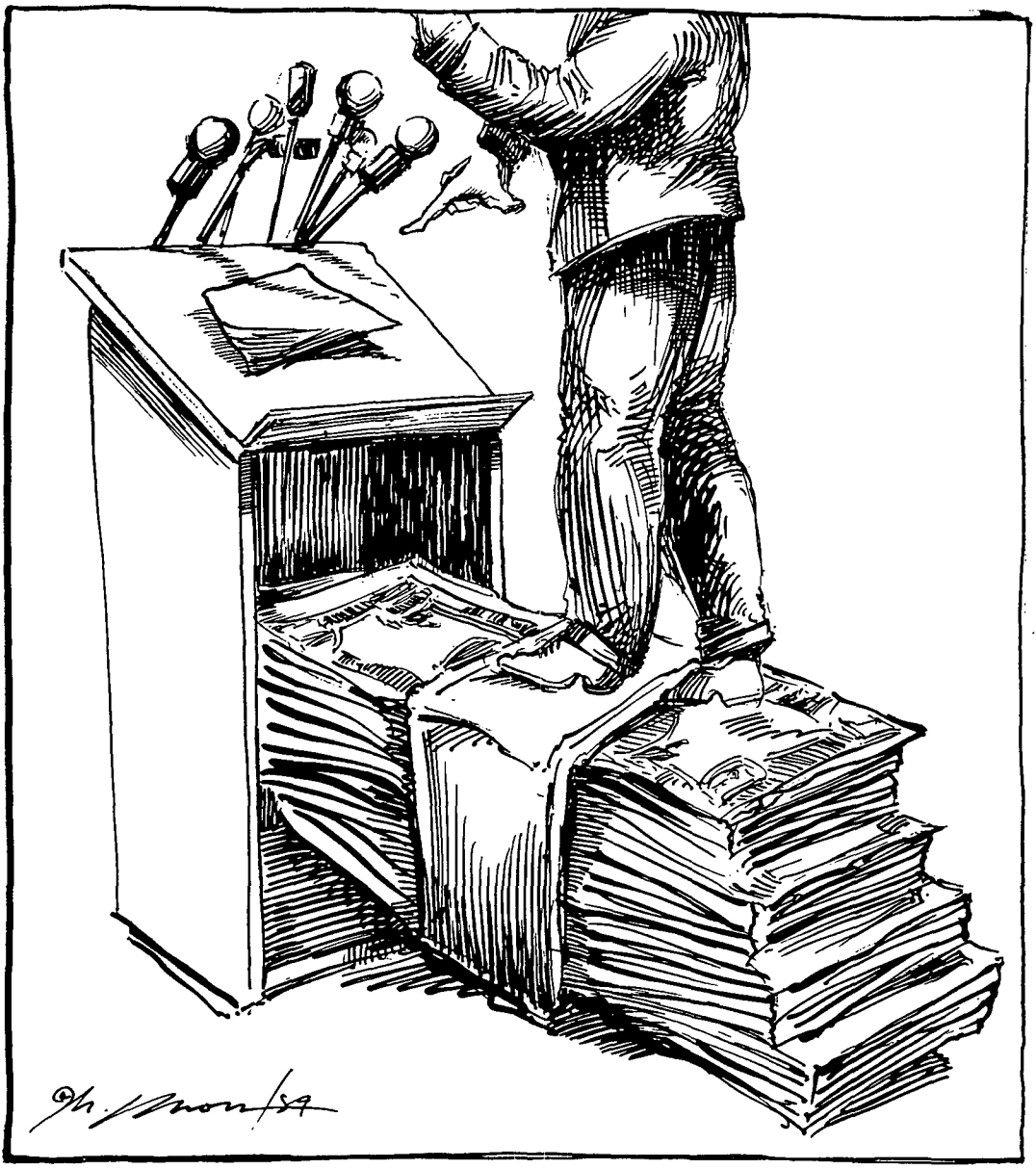

government handouts. So these professors aren't going to tell us that when we abandon the principles of limited government and free enterprise, eventually we will go belly up and reach true national disaster.

Once again, it was awfully difficult for me to vote. The other candidates were even worse—one of them appealed to the fear of imports, and the other promised still more handouts. What a sad spectacle! Where is the America that made itself the leader of free people? Where are the politicians who serve not special-interest groups, but the genuine public interest—everyone's rights to life, liberty, and the pursuit of happiness? □

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The Unspoken Dialogue of the Market

by Matthew B. Kibbe

On coming to Paris for a visit, I said to myself: Here are a million human beings who would all die in a few days if supplies of all sorts did not flow into this great metropolis. It staggers the imagination to try to comprehend the vast multiplicity of objects that must pass through its gates tomorrow, if its inhabitants are to be preserved from the horrors of famine, insurrection, and pillage. And yet all are sleeping peacefully at this moment, without being disturbed for a single instant by the idea of so frightful a prospect. On the other hand, eighty departments have worked today, without cooperative planning or mutual arrangements, to keep Paris supplied. How does each succeeding day manage to bring to this gigantic market just what is necessary—neither too much nor too little?

—FREDERIC BASTIAT[1]

How is Paris fed? For Bastiat, the answer to this seemingly complex puzzle was simple: Freedom ensures that Paris is fed. More specifically, an individual's freedom to think, choose, act, and trade with other individuals provides the basis for individual prosperity and social cooperation under a system of law. By striving to satisfy his own needs and wants, the free individual helps others—often without ever having intended to do so.

Matthew Kibbe is a doctoral student in economics at George Mason University, assistant editor of Market Process, *and senior economist at the Republican National Committee in Washington, D.C. This essay won the second prize in FEE's 1988-89 essay contest, "Why Choose Freedom?"*

This "simple" understanding of the market order was by no means originated by Bastiat. In 1776, Adam Smith employed the now famous analogy of the "invisible hand" to describe the social process by which the individual, when left alone, is "led . . . to promote an end which was no part of his intention. . . . By pursuing his own interest [the individual] frequently promotes that of the society more effectually than when he really intends to promote it."[2] The result of this process is peaceful co-existence among millions of individuals; or, better yet, "cooperation in anonymity."[3]

However, it was not until after Bastiat's death in 1850 that a general theory of Adam Smith's "invisible hand" explanation was developed by the Austrian economists. Carl Menger demonstrated how social institutions (particularly money) emerge in a society as a result of each individual's participation in the market. The actions of "erring, bumbling man" were in turn guided by these institutions.[4]

Ludwig von Mises considered this interplay between purposive individuals and social institutions to be *the* necessary condition for successful economic coordination in an uncertain world. Money and money prices served as the indispensable "guide amid the bewildering throng of economic possibilities."[5]

> No single man can ever master all the possibilities of production, innumerable as they are, as to be in a position to make straightway evident judgments of value without the aid of some system of computation. The distribution among a number of individuals of administra-

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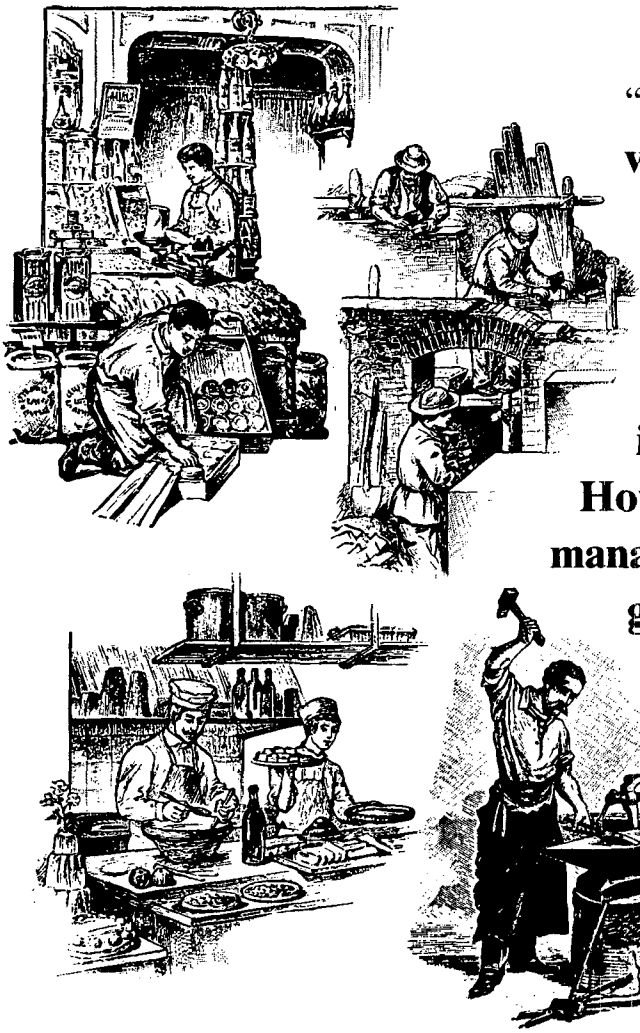

"On coming to Paris for a visit, I said to myself: Here are a million human beings who would all die in a few days if supplies of all sorts did not flow into this great metropolis. . . . How does each succeeding day manage to bring to this gigantic market just what is necessary— neither too much nor too little?"

—FREDERIC BASTIAT

tive control over economic goods in a community of men who take part in the labor of producing them, and who are economically interested in them, entails a kind of intellectual division of labor, which would not be possible without some system of calculating production and without economy.[6]

Each individual, because of this "intellectual division of labor," possesses a great deal of information which is known to him alone. The steel worker in Pennsylvania, the securities broker in New York, the farmer in Iowa, the business manager in California, and every other individual within society is privy to "the knowledge of the particular circumstances of time and place."[7] Institutions such as money prices allow the individual to communicate this unique, personal knowledge to the unknown others in society. Through constant changes in price, the market enables each individual to engage in a free, *unspoken dialogue* with other individuals. It is this process which allows successful economic coordination to take place.

Hayek's Example

F. A. Hayek, a student of Mises, told the hypothetical story about a drop in the market supply of tin to elucidate this communicative process be-

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tween the individual and his unknown fellows. Suppose that either a new use for tin has been discovered or that an important producer's ability to provide tin on the market has declined. Either way, tin is now more scarce. Some consumers of tin, because of their proximity to and knowledge of the impetus of the change, are immediately informed of the new situation. Through their subsequent actions, these few individuals influence the price of tin. Without anyone intending to help others, the information of the new scarcity of tin is spread through the price system. Signaled by the rising price of tin, the vast majority of tin consumers, not privy to the direct knowledge of time and place, are "told" that they must somehow economize their own use of tin. "The marvel is that in a case like [this] of a scarcity of one raw material, without an order being issued, without more than perhaps a handful of people knowing the cause, tens of thousands of people whose identity could not be ascertained by months of investigation, are made to use the material or its products more sparingly; that is, they move in the right direction."[8]

Now imagine the constant flux of a real economy, where changes in tastes, new technological discoveries, and an almost infinite number of other changes—both large and small—occur every minute. Each individual is continuously engaging in an unspoken dialogue with millions of other individuals, simply by choosing and acting. The smooth complexity of such a system is both overwhelming and beautiful.

Unfortunately, as Hayek points out, the opponents of freedom have altogether failed to appreciate or understand the nature of this "simple" insight. "Much of the opposition to a system of freedom under general laws arises from the inability to conceive of an effective co-ordination of human activities without deliberate organization by a commanding intelligence."[9] Without an understanding of how the "invisible hand" of the market operates, complexity is mistakenly seen as chaos.

The *raison d'être* of Marxism is, and always has been, the replacement of production for exchange, which is directed by the "blind forces" of the market and money prices, with comprehensive, rationally coordinated planning by a central authority. Freedom and free exchange will be replaced with direct control over the means of production. Only then will the needs and wants of the people be satisfied. Or so the story goes.

But how would a central authority ever know what the constantly changing needs and wants of the people actually are? Such knowledge can only exist in a market and in market prices. Political orders, no matter how carefully calculated, are no substitute. Without the freedom to act and choose, there is no basis for producing anything. In a command economy, there can be no dialogue between individuals except within the strictly limited bounds of time and place. As Mises put it, advanced economic production would be "unworkable."

What all would-be planners—the mercantilists, the protectionists, and the socialists—fail to see is that the market process is not chaotic at all. Through the unspoken dialogue of prices, individuals in the market are able to communicate and coordinate their activities in a way that is both peaceful and prosperous. Freedom works. Or, from Frederic Bastiat's point of view, Paris is sleeping peacefully, and Paris is fed. □

1. Frederic Bastiat, *Economic Sophisms* (Princeton: D. Van Nostrand Company, 1964), p. 97.
2. Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (New York: Random House, 1937), p. 423.
3. Richard M. Ebeling, "Cooperation in Anonymity," *Critical Review*, Vol. 1, No. 4, Fall 1987.
4. Carl Menger, *Principles of Economics* (New York: New York University Press, 1976), pp. 257-85. See also Carl Menger, "On the Origin of Money," *Economic Journal*, Vol. 2, 1892.
5. Ludwig von Mises, *Socialism* (Indianapolis: Liberty Classics, 1981), p. 101.
6. Ludwig von Mises, "Economic Calculation in the Socialist Commonwealth" in F. A. Hayek, editor, *Collectivist Economic Planning* (Clifton, N.J.: Augustus M. Kelley, 1975), p. 102.
7. F. A. Hayek, "The Use of Knowledge in Society," *Individualism and Economic Order* (Chicago: University of Chicago Press, 1948), p. 80.
8. *Ibid.*, p. 87.
9. F. A. Hayek, *The Constitution of Liberty* (Chicago: University of Chicago Press, 1960), p. 159.

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Free Speech: An Endangered Species in India

by Rayasam V. Prasad

"The government must have realized the folly of making an attempt to steal through parliament a piece of legislation that sought to deny 800 million people of this land the right of expression," said H. K. Dua, editor of *Hindustan Times*. He was referring to an anti-defamation bill that came close to becoming law in the summer of 1988. According to *India Today*, the ruling Congress (I) Party pushed the bill through parliament with the help of its "brute majority."

This bill placed the entire burden of proof on the accused in defamation suits. If a politician or bureaucrat disliked what was written in a newspaper, he could use poorly defined terms (which were included in the bill) like "grossly indecent," "scurrilous," or "intended for blackmail" to cook up charges against the journalist. The bill also provided for summary trials and prescribed a minimum period of imprisonment for journalists who wrote "defamatory matter."

In the past, few Indians questioned whether it was proper for government to control the flow of information in a democracy. This bill shocked many out of their complacency. After a month-long struggle—which included a three-mile protest march—the anti-defamation bill was withdrawn.

By their silent acquiescence, the majority of Indians have empowered their government to attain complete control over the broadcast media. The government created the Information and Broadcasting Ministry shortly after India gained independence in 1947. This ministry inherited the nation's only radio network, which it has operated ever since. No other radio stations are allowed. When television became the dominant mass medium, the same pattern was repeated. In addition, the Indian government produces news footage that must be shown in every theater before the main feature.

Politicians and bureaucrats turned radio and television into propaganda outlets for the government. All India Radio was nicknamed "All-Indira Radio" during the reign of Prime Minister Indira Gandhi. In a recent interview, Krishna Kumar, Minister of State in the Information and Broadcasting Ministry, said: "The government's achievements have to be projected. This is the legitimate work of the Information and Broadcasting Ministry."

Indian television bombards the viewer with images of prosperity. Almost every day, cabinet members are shown opening steel mills or switching on irrigation dams. But if the country is progressing at such a rapid pace, why are so many Indians living in utter poverty?

Officials use the same media to blame uncontrollable forces such as droughts, overpopulation, lack of natural resources, or even plots by foreign governments to explain the problems at home. Opposing arguments are not to be heard. Kumar also claims that Indian television has to emphasize values like secularism. At 9:30 each Sunday morning, this high-sounding ideal acquires a hollow tone. This is when hundreds of millions of Indians gather around their television sets to watch the Hindu epic, *Ramayan*. All the voices that protested this governmental promotion of one re-

Mr. Prasad, who immigrated from India in 1975, is a free-lance writer in Atlanta, Georgia.

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—NEWS INDIA

Demonstrators protesting the Indian government's control of media.

ligion over others have been drowned out.

Print media serve the Indian public as an alternative to government-controlled radio and television. This is not to say that the newspapers are entirely free. The ruling party holds substantial control over the written word through its ability to allocate newsprint, government advertising revenues, and even leases on newspaper buildings. A few journalists have tried to maintain their independence. But they are well aware that dissidents are usually brought into line by private and public harassments.

Indian politicians, however, aren't happy with their partial control over the newspapers. Embarrassed by repeated disclosures, such as the recent arms-purchase scandals, the Congress (I) Party tried to pass the anti-defamation bill and incorporate the print medium into their propaganda machine.

Some people argue that India, with its overwhelming poverty and illiteracy, has no use for ideas like free speech. However, they delude themselves into believing that surrendering these rights will somehow produce economic prosperity and social equity.

In any country without a free press, corporations—which provide badly needed capital and technology—will be at the mercy of an all-powerful bureaucracy. In the event of a dispute, government officials can easily prevent investors from presenting their side of the story. When Indira Gandhi kicked IBM out of India, for example, there was hardly any protest.

Newspapers in India, which must compete for readers, do a much better job of reporting than radio or television. Literate Indians look to newspapers for accurate information. Privatization of the broadcast media would extend this ability to the 60 percent of Indians who can neither read nor write. □

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Who Is Destroying the World's Forests?

by Gregory F. Rehmke

Time began its January 2, 1989, "Planet of the Year" issue with a two-page photo of a burning Brazilian forest, and declared: "Man is recklessly wiping out life on earth." A February 23, 1989, *Rolling Stone* article, "The Scorched Earth," shows cattle in the state of Rondonia in western Brazil nibbling at still-smoldering shrubs.

Government-sponsored television advertisements, says *Rolling Stone*, encourage impoverished Brazilians "to seek their fortune in the farming, ranching, mining, lumber and hydroelectric projects under way in Rondonia." The article explains that the 900-mile Highway BR-364, financed by the World Bank, cheaply transports settlers to Rondonia from urban areas.

Nearby, in the western state of Acre, residents depend on the Brazilian government for 85 percent of their income. But these subsidies are only the latest in a long series of uneconomic policies subsidizing rain-forest development.

The Brazilian military has insisted that building roads and settling the Amazon basin is necessary for national security. "The Amazon is ours," declared Brazilian President José Sarney, in an April 6th speech announcing a new internationally financed program he said would "permit the rational siting of economic activities" in the Amazon basin.

The speech was reported to be strongly nationalistic, and many Brazilian officials see pressure to limit Amazon development as part of a "campaign for the internationalization of the Amazon." General Leonidas Pires Goncalves, Brazil's Army Minister, recently complained of "that tiresome grinding on and on" about forest destruction. Meanwhile, Fernando Cesar Mesquita, head of the new Brazilian environmental agency, believes "There is a true danger of foreign occupation of the Amazon."

Citing "national security" to justify uneconomic programs is a popular ploy for special interest groups around the world and is certainly not unique to Brazil.

Subsidizing Rain-Forest Destruction in South America

The cattle-ranching and road-building projects that first drew Brazilians into the Amazon were heavily subsidized with funds from the World Bank, the Inter-American Development Bank, and the International Monetary Fund. By 1983, the Brazilian government had spent $2.5 billion to subsidize deforestation for large-scale cattle ranching that, according to the World Resources Institute, "would not be economically viable in the absence of the subsidies."

After decades of subsidizing cattle ranching in the Amazon, the Brazilian government apparently decided it needed to subsidize farming communities to balance the concentrated wealth of cattle ranchers. The Polonoroesta plan, a project in northern Brazil funded by the International Monetary Fund, foreign lenders, and the govern-

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ment, was to develop 100,000 square miles of tropical forest for small farmers. Seventeen percent of the land has been deforested so far.

Yet the program, in addition to being environmentally destructive, has apparently led to an even greater concentration of land in the hands of ranchers. After a section of forest is burned, nutrients left in the ashes support only a couple years of crops. With the nutrients exhausted, the soil will support only grasses—making the land suitable for raising cattle.

Local cattle ranchers then purchase the land cheaply, and settlers move on to raze new acreage. The burning program continues to redistribute income from taxpayers (both domestic and foreign) in order to provide subsidized labor and land for cattle interests.

In "How Brazil Subsidises the Destruction of the Amazon," *The Economist* (March 18, 1989) cites a new World Bank study outlining a variety of misguided policies: "Brazil's laws and tax system have made deforestation and ranching in the Amazon artificially profitable." High inflation encourages people to invest in land, since money savings are wiped out. Agriculture is exempted from taxation, so legitimate farmers are bought out by those looking for tax havens, and farmers then move deeper into the forests to clear new land.

Land taxes on unimproved land are reduced 90 percent when cleared for crops or pasture, thus punishing private preservationists. Tax credits subsidize money-losing development schemes, generally benefiting rich cattle ranchers at the expense of poorer Brazilian taxpayers. Finally, government regulations give "squatters' rights" to those who wander onto private land and begin using it "more effectively," i.e., clearing the forests and planting crops. However, this last policy seems to work both ways: *The New York Times* recently reported that the squatters' rights policy has allowed rubber-tappers in some areas to delay landowners' plans to clear forests.

The Brazilian government, however, isn't alone in subsidizing forest destruction. A program operated in the U.S. by the Forest Service and the Bureau of Land Management (BLM) transforms forests in the Southwest into grazing land for leasing—at below-market rates—to cattle ranchers.

Chaining: "Engines of the Public Good"

Known as "chaining," this U.S. Forest Service practice destroys piñon and juniper forests on Federal lands in the American Southwest. Giant tractors, pulling either end of a 600-foot, 60,000-pound anchor chain, rumble across the land ripping out shrubs and trees—"cleansing" the land for grasses and, later, cattle grazing. Economist Terry Anderson notes: "Between 1960 and 1972, the BLM chained nearly 300,000 acres in Nevada and Utah, and the Forest Service, more than 80,000 acres. More than 3,000,000 acres, including land in Arizona and New Mexico, have fallen to this destructive and expensive practice."[1]

Brazilian burning reduces the diversity of species as tropical forests are cleared and replanted with single crops. The BLM's chaining program does much the same thing. Forest Service reports, notes Ronald M. Lanner, show that chained areas contain "about 50 species of fish, 66 reptiles and amphibians, 75 mammals, and 140 birds in and around the piñon-juniper woodlands." The "twenty-two common shrub species, fourteen grasses, and seventeen forbs [herbs other than grasses]" are replaced by the Forest Service with a single species of Asian crested wheatgrass.[2]

Calling chaining a "plant control program," the Forest Service claims it is "rehabilitating" grasslands. The Forest Service, unable to lease scattered piñon-juniper woodlands for logging, has labeled them as "uncommercial forests." Much like burning in the Amazon, chaining is a process of converting uncommercial forests into commercial rangelands. Then, again as in the Amazon, these converted rangelands subsidize local cattle operations.

Lanner explores the Forest Service logic that leads to chaining: "active, on-the-ground management passed from frustrated timber-oriented foresters to range managers whose professional objective is the production of red meat. Trees are more of a hindrance than a resource to range managers, and chaining is an attractive method of removing them." The Forest Service and the BLM so vigorously and imaginatively defend the benefits of their "plant control program" that Lanner refers to the chain-pulling D-8 class trac-

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—WIDE WORLD PHOTOS

Cleared land in Brazil's rain-forest region.

tors as "veritable Engines of the Public Good."[3]

From the jungles of Brazil to the southwestern U.S., special interest groups fuel forest destruction. Both projects would be unprofitable without governments' shifting development costs to taxpayers.

Subsidizing Rain Forest Destruction in North America

The same is true in the Tongass National Forest in Alaska, one of the world's last temperate zone rain forests. The Forest Service subsidizes logging operations in the Tongass rain forest, which lose 98 cents for every taxpayer dollar spent. Logging jobs bolster the local economy, but cost U.S. taxpayers an average of $36,000 for each job created. The benefits are concentrated, creating Forest Service and logging company jobs (and profits) in the area, while the costs are spread out among U.S. taxpayers.

In the Tongass National Forest, and in other U.S. forests, government-built roads subsidize logging, just as Brazilian government roads subsidize logging and burning in the Amazon. The U.S. Forest Service has built 342,000 miles of roads in the national forests.

According to a study by the National Center for Policy Analysis: "These roads, primarily designed to facilitate logging, extend into the ecologically fragile backcountry of the Rocky Mountains and Alaska, where they are causing massive soil erosion, damaging trout and salmon fisheries and causing other environmental harm. Because the costs of these logging activities far exceed any commercial benefit from the timber acquired, this environmental destruction would never have occurred in the absence of government subsidies."[4]

Road building does create jobs, though, and increases Forest Service budgets. The programs are driven by the logic of special interests—the benefits are concentrated, while the costs are spread out.

Tongass logging, Southwest chaining, and Amazon burning are all uneconomical projects

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that probably never would have been started without subsidies. Either the land would have been left alone, or other less destructive practices would have been developed.

Indians in the Peruvian Amazon, for example, have apparently learned how to cultivate the rain forest in profitable and environmentally sound ways. *The Economist* (February 11, 1989) cites a Peruvian study showing "the value of the products of a natural forest exploited sustainably for its fruit, rubber and timber, exceeded threefold the value of beef that the land would produce as pasture."

Saving the Wilderness by Freeing the Cities

Many environmentalists, possibly influenced by Malthusian arguments, believe that overpopulation and economic growth alone force settlers into the Amazon rain forests, and into other tropical rain forests around the world. But if Brazil had an open economy, with sound money, free markets, and free trade, the opposite would likely happen: people would be drawn from the countryside into the cities, to take new jobs and share better living standards.

Cities can absorb an astonishing number of people, and when unshackled can transform low-cost labor into rapidly increasing prosperity. Singapore and Hong Kong are two recent examples of thriving cities creating wealth for their once-impoverished workers.

The mass migration of rural workers to urban areas has continued since the Industrial Revolution. People take advantage of the better jobs in and around thriving cities, leaving behind the agrarian life in isolated villages. Most Latin American economies, however, are neither free of inflation nor thriving.

Hampered by protectionism, taxes, regulations, and money-losing state-owned companies, Latin American cities have not been able to create the new jobs and prosperity needed to employ and enrich swelling urban populations. Brazilian politicians, instead of deregulating their economies, have dreamt up schemes to relieve urban pressure by shuttling the poor out to exploit the "hidden riches" of the Amazon.

Protection Through Ownership

Though eliminating government subsidies would make the current destruction of the Amazon rain forest (and Alaska's Tongass rain forest) unprofitable, private commercial development of the rain forests might someday be profitable.

If people want to stop future commercial rainforest development (rather than just stopping subsidies for current unprofitable development), they should be willing to translate that desire into action. The Nature Conservancy did just that in Costa Rica recently with a $5.6 million debt swap that will finance nine local conservation projects, protecting some of Costa Rica's rain forest from development. Another debt/nature swap in Bolivia encourages ecologically sound development (rather than just setting aside virgin forests, which does little to enhance the local economy).

If Americans want more of Latin America's 1.6 billion forest acres set aside, they should consider buying the land, or purchasing long-term leases. In the same way, if Brazilians want to protect one of the world's last temperate zone rain forests from destructive logging, or protect piñon-juniper forests in the Southwest, they too should have the right to purchase or lease the land.

Unfortunately, as it now stands, the Brazilian government is no more likely to let Americans purchase and protect land in the Amazon's tropical rain forest, than is the U.S. government to let Brazilians purchase and protect land in Alaska's temperate rain forest. □

1. Terry Anderson, "The Market Alternative for Land and Wildlife," in Doug Bandow, editor, *Protecting the Environment: A Free Market Strategy* (Washington, D.C.: The Heritage Foundation, 1986), p. 41.

2. Ronald M. Lanner, "Chained to the Bottom," in John Baden and Richard L. Stroup, editors, *Bureaucracy vs. Environment: The Environmental Costs of Bureaucratic Governance* (Ann Arbor: University of Michigan Press, 1981), p. 163.

3. *Ibid.*, pp. 159, 154.

4. John Baden, "Destroying the Environment: Government Mismanagement of our Natural Resources," National Center for Policy Analysis, Policy Report #124, October 1986.

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"Lime": E. B. White and Self-Reliance

by Cecil Kuhne

E. B. White (1899-1985) was one of the finest essayists of this century. Perhaps best known as the author of the children's book *Charlotte's Web*, White was also a superb nonfiction writer. His pieces (many of which were clearly tongue-in-cheek) appeared regularly in *The New Yorker*, where he worked as an editor, and in *Harper's*, where he submitted monthly columns as a free-lancer.

Eventually White left New York City to live on a farm in coastal Maine, where he did some of his most brilliant work. A collection of his essays, *One Man's Meat*, contains a short piece entitled "Lime," written in November 1940. The subject of this article was the allotment of ground limestone that White received as a farmer, free of charge from the government, under one of the many New Deal programs.

White took the three tons of lime, which he sprinkled on the soil of his upper field to improve its alkalinity. But in the process, he admits to some misgivings for having done so.

As he cogently points out in this essay, the lime he received from the government was in effect a gift to him from all the taxpayers of the country (whether they liked it or not). He uses the provocative analogy that as he was spreading the lime on his fields, the federal government was spreading the cost over its citizens.

The well-worn rationale for such a handout, of course, is that the fertility of the soil is a national concern—one that affects everyone—and therefore the Federal program will benefit all of us. But White sees problems with the logical extension of this type of thinking: "... I believe it also is true that a government committed to the policy of improving the nation by improving the condition of *some* of the individuals will eventually run into trouble in attempting to distinguish between a national good and a chocolate sundae."

He continues: "I think that one hazard of the 'benefit' form of government is the likelihood that there will be an indefinite extension of benefits, each new one establishing an easy precedent for the next."

After all, says White, think of the women who want a permanent wave for their hair. It could be argued that the satisfaction of that need is also a national good. Then the government would provide free permanent waves in the belief that the public wants them and that they provide valuable employment for hairdressers.

Government provision of goods and services eventually leads to a nation of people who depend on the government for their every want and need. Even White felt the pressure to demand more. "I seemed to have lost a little of my grip on life. I felt that something inside me, some intangible substance, was leaching away. I also detected a slight sense of being under obligation to somebody, and this, instead of arousing my gratitude, took the form of mild resentment—the characteristic attitude of a person who has had a favor done him whether he liked it or not."

White was losing touch with his self reliance —just as anyone does when he comes to depend on government handouts. Self-reliance, a characteristic strongly valued before the New Deal, has declined in importance as government entitlement programs have grown. We shouldn't be surprised. □

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The Population Bomb . . . Defused

by R. Cort Kirkwood

Repetition is the mother of learning, and there are some popular beliefs that have no basis in fact, but which many Americans simply accept at face value because the news media has repeated them so many times in so many different ways. One such belief is that spaceship Earth has too many inhabitants, that the developing world's population growth inhibits economic development, and that everyone might run out of food, water and natural resources if something isn't done to stop Africans and Latin Americans from having babies.

Just a few months ago, the United Nations released an alarmist report saying the world's population will reach 10 billion by 2025 and 14 billion by 3000 if women everywhere don't start using more and better birth control techniques. The headlines were predictable. Ask average people on the street whether population growth is a problem, and they will answer, yes—faster than they can tell you what team Mickey Mantle played for, or who wrote *Huckleberry Finn.*

"The population bogey has been the rare sweet issue everyone could agree upon," says University of Maryland economist Julian Simon, yet a more mythical bogeyman could hardly be found. Though the population controllers such as International Planned Parenthood, The Population Institute, and the Population Crisis Committee have had the media's ear since World War II, thinking economists and demographers have destroyed the theory that population growth inhibits economic growth. How? As the American Enterprise Institute's Nicholas Eberstadt puts it: "That corpus of knowledge simply does not exist. So what you have is pseudoscience. Modern witchcraft."

The ingredients in the population bombers' brew are as strange as those used in witchcraft: eye of newt, crushed bat wings, and whatever else it is they toss in the pot, except the population bombers mix a concoction of Malthusianism, socialism, and economic globaloney that emerges from their kettle as an oracle of doom.

Says Sharon Camp of the Population Crisis Committee: "There are too many people trying to eke out a living at current technology. . . . We don't know what will happen to the natural resource base at a population level of 8, 9, 10, 14 billion."

Without an increase in U.S. assistance for United Nations population programs, Nafis Sadik of the United Nations Population Fund warned, "we will continue to experience high population growth, high infant and child mortality, weakened economies, ineffective agriculture, divided societies and a poorer quality of life for women, children and men."

Barber Conable, president of the World Bank, said in a September 1988 address to the bank's Board of Governors: "The societies in which population is growing so fast must accept that many—perhaps most—of these new lives will be miserable, malnourished and brief. With today's population growth rates, badly needed improvements in living standards cannot be achieved, public resources for necessary services are overstretched, and the environment is severely damaged."

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Wrote Loretta McLaughlin in *The Boston Globe*, "It is the pressure of the world's burgeoning population—more than any other single force—that fuels inflation and economic recession. All nations must compete harder for dwindling supplies of the earth's resources; worldwide, more workers must compete for proportionately fewer jobs."

In the same article she quoted Conable's predecessor, Robert McNamara, who best crystallized the population bombers' mantra: "The population problem must be faced up to for what it is—the greatest single obstacle to the economic and social advancement of peoples in the developing world. It is the population explosion, more than anything else, which by holding back the advancement of the poor, is blowing apart the rich and poor and widening the already dangerous gap between them."

Is Population Growth the Culprit?

It would be truly sad if all these things were true, but they aren't. All the available data suggest that population growth has nothing to do with economic growth, infant mortality, or any of the other ugly conditions in which much of the world's population lives, especially the Third World.

For example, population planners say too many people will "deplete our limited quantities of food, water and fuel" and other nonrenewable resources. Yet the prices of most commodities (except fuel, thanks to government energy policies and the OPEC cartel), are gradually falling in real terms. If prices are a measure of scarcity, then the world's increasing population is hardly a threat. Population growth statistics really tell observers only one thing: there are more people today than there were yesterday.

Most of the dire predictions are about Africa and Latin America, where huge populations and mass starvation seem to go hand in hand. According to The Population Institute, "There is no simple explanation for why Africa's economic development has been stunted and why Africans today remain so grievously poor. Lack of capital and highly skilled personnel is a factor. . . . ongoing civil strife. . . . staggering external debts. . . . colonial exploitation. . . . degradation of . . . its natural resource base. . . . Somewhere in the mix of these factors is the wellspring of Africa's woes." But the real "wellspring of the continent's woes" is never discussed.

Warning that Ethiopia's population of 49 million will double in 23 years, the Institute reports, "The Ethiopian government acknowledges that the country's three percent population growth rate is imperiling its people and their development hopes. . . . There is clearly no way Ethiopia could support that many people. Ethiopia has only two choices: undertake far more vigorous efforts to extend family planning or face even larger-scale suffering in the near future."

But overpopulation is hardly Ethiopia's problem. The Institute and its ideological kin simply ignore Ethiopia's brutal collectivization of agriculture, a throwback to the days of Stalin and the Ukrainian famine even the Soviets have advised the Mengistu regime to stop. The government has deliberately turned mild droughts into nationwide famines and killed thousands of people in forced relocation programs to deprive anti-government guerrillas of crucial rural support.

It is widely known that the Communist authorities use relief food as a lure, stationing supplies near pickup areas for the relocation program. The ultimate goal is to move 33 million people. Not surprisingly, *The Washington Post* reported in 1987, the per capita availability of grain had dropped 22 percent in 10 years, and even though state-owned farms were using 40 percent of all government expenditures, they contributed only four or five percent of total food production. Private farmers—the few that there were—were generating 40 percent of the country's nearly nonexistent gross national product.

Yet The Population Institute says Ethiopia needs more condoms and birth control pills: "Had Ethiopia launched a family planning program in the mid-1960s and had that program been half as successful as many that were begun at that time, the number of births prevented would have been equal to the number of Ethiopians dependent upon food relief during the last famine." That's what you call pseudoscience.

The Institute is also worried about Ghana, "the second fastest growing [population] in western Africa" at 3.3 percent, but credits the Ghanian government with a hands-on approach to family planning.

Yet as Nicholas Eberstadt notes in the Winter

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1986 *Wilson Quarterly*, when Ghana was decolonized and Kwame Nkrumah took the reins of power, he systematically destroyed the economy with socialist interventions. He "forced the farmers to sell their cocoa, the nation's chief export, at a fixed price to the government, which then sold it abroad at a profit. The proceeds were poured into Nkrumah's industrial development schemes. By the late 1970s . . . Ghana's small cocoa farmers were getting less than 40 percent of the world price for their crop—an effective tax of over 60 percent. Not surprisingly, Ghana's cocoa output and cocoa exports plummeted."

Next Nkrumah "took aim at industry. Shortly after independence, he nationalized the nation's foreign-owned gold and diamond mines, cocoa-processing plants, and other enterprises. Ghana's new infant industries were also state-owned. The result was inefficiency on a monumental scale. According to one study, between 65 percent and 71 percent of Ghana's publicly owned factory capacity lay idle 10 years after independence. . . . By 1978, tax revenues paid less than 40 percent of the government's budget. Inflation spiraled, climbing by over 30 percent a year during the 1970s. . . . Black Africa's most promising former colony had become an economic disaster."

But The Population Institute concludes, "where population growth is the fastest—Africa—per capita food production is in the sharpest decline."

Some Surprising Comparisons

The Institute's 1988 report on Africa ignores South Africa, which isn't surprising. Its population, one of the continent's highest, has doubled since 1960, yet its per capita gross national product in 1986 was $1,850. Ghana's and Ethiopia's populations have doubled as well, but their per capita GNP's are $390 and $120 respectively. People aren't Africa's problem, government policies are. Even South Africa's racialist apartheid system hasn't done the damage Ethiopia's Communist dictatorship has. In fact, if the government of South Africa ever dismantled the apartheid system, allowing blacks even more economic freedom than they have now, the contrast would be even more dramatic . . . and more embarrassing for the population bombers.

Africa's story is only a snapshot of a worldwide phenomenon. Comparing other countries in the second and first worlds yields similar results. As shown by the table on page 444, the differences between Taiwan, Singapore, and China, between North Korea and South Korea, and between East Germany and West Germany are equally startling, especially when population density is brought into the equation. Where China has enough room to put 285 people per square mile, its economy is a failure next to Taiwan's and Singapore's, whose people are packed in like sardines, but whose economies have become known as two of Asia's four "dragons." (The other two being Hong Kong and South Korea.)

These small islands also belie the myth that urban congestion in "Third World mega-cities" such as Mexico City and New Delhi is a threat to public health, education, and housing needs. Need we ask why South Korea, which is more than twice as crowded as North Korea, is doing twice as well economically? Population planners try to explain the differences by saying the successful economies of Asia and Africa benefited from strong, government-backed family planning programs. But the population growth rates of the African countries, East and West Germany, the Koreas, and the Pacific rim countries were pretty much the same from 1960 to 1986. That leaves only one explanation for the differences, one the table doesn't show, one the population bombers don't like to discuss: China, Ethiopia, and the other economic failures are controlled by Communist or socialist central planners, whereas Taiwan, Singapore, and the other economic engines of progress are largely free market economies.

As Julian Simon has written, "Population growth under an enterprise system poses less of a problem in the short run, and brings many more benefits in the long run, than under conditions of government planning of the economy." Adds Eberstadt, "the overall impact of population change on a society seems to depend on how the society deals with change of all kinds. Indeed, coping with fluctuations in population is in many ways less demanding than dealing with the almost daily uncertainties of the harvest, or the ups and downs of the business cycle, or the vagaries of political life. Societies and governments that meet such challenges successfully as the little dragons did, are also likely to adapt well to population change. Those that do not are likely to find

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that a growing population 'naturally' causes severe, costly and prolonged dislocations." (*Wilson Quarterly*, Winter 1986) In short, free societies adjust well to population increases, Communist societies do not.

The population bombers would be little more than harmless "do-gooders" if their ideas—that people cause inflation, that people consume too much food, that people are a drag on economic development—were not taken so seriously. But they are taken seriously, and the consequences have been disastrous, anti-natalist, even inhuman.

Eberstadt cites a March 1986 *Washington Post* report from Kenya: "hundreds of [rural school] children ran screaming, some scrambling through windows, with the approach of an unfamiliar car: it was thought to contain population workers who would inject them with nonreversible contraceptives. The previous year starving Kenyans in drought-afflicted areas were reported to have refused relief shipments of U.S. corn on the rumor that the corn had been laced with sterilizants." (*Foreign Aid and American Purpose*, p. 96)

	Population per square mile	GNP per capita
East Germany	399.0	$10,400
West Germany	634.5	12,080
North Korea	448.0	1,180
South Korea	1,095.5	2,370
China	285.0	300
Taiwan	1,385.6	3,748
Ghana	142.9	390
South Africa	68.4	1,850
Singapore	11,608.4	7,410
Ethiopia	92.2	120
Mozambique	45.8	210

Sources: The Heritage Foundation, The World Bank Annual Development Report 1988; Figures from 1986.

Family Planning in China

But the worst application of population control theory is that of the Communist Chinese government, which has been cited by the U.S. House of Representatives for "crimes against humanity" in carrying out its one-family, one-child policy. In collecting 92 accounts from eyewitnesses, human rights activist Dr. Blake Kerr reported the ghastly results in *The Washington Post* (February 26, 1989): "In the autumn of 1987," two Tibetan monks told Kerr, "a Chinese birth-control team set up their tent next to our monastery in Amdo. The villagers were informed that all women had to report to the tent for abortions and sterilizations or there would be grave consequences. . . . We saw many girls crying, heard their screams as they waited for their turn to go into the tent, and saw the growing pile of fetuses build outside the tent."

Elsewhere in China, in pursuit of its U.N.-backed family planning program, the results are the same: forced sterilization, abortion and outright infanticide. In many cases, doctors perform "abortions" as a child is moving through the birth canal at term, crushing its skull with a forceps or jamming a hypodermic needle filled with formaldehyde into the fontanelle, killing the child just moments before it enters the world. Others who make it past the doctor are often confronted by the nurse, and women have heard their child's first cries on beginning life only to see them snuffed out by that nurse, who is usually armed with what has become known as "the poison shot."

The justification for this mass murder? According to Chen Muhua, head of China's Family Planning Board, "Socialism should make it possible to regulate the reproduction of human beings so that population growth keeps in step with the growth of material production."

Lest you think such exhortations are *sui generis*, look at the words of Friends of the Earth as published in *Progress As If Survival Mattered*: "Americans should take the lead in adopting policies that will bring reduced population. Ultimately, those policies *may* have to embrace coercion by governments to curb breeding. . . . mere unofficial advocacy and purely voluntary compliance are far from enough . . . voluntarism guarantees big families for the ignorant, the stupid, and the conscienceless, while it gradually reduces the proportion of people who, in conscience, limit the size of their families. . . . If the less stringent curbs on procreation fail, someday perhaps childbearing will be deemed a punishable crime against society unless the parents hold a government license. Or perhaps all potential parents will be

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required to use contraceptive chemicals, the governments issuing antidotes to citizens chosen for child bearing."

The population bombers cannot imagine that an Ethiopian mother might love her children just as much the sterilization advocate living at the Watergate, that children provide a source of nonmaterial income they don't understand. For them, there are only "unwanted" pregnancies; as George Gilder put it, "mouths, not minds." No wonder they can make pseudoscientific statements like, "500 million women want and need family planning but lack information, access or means to obtain it." In this view, people aren't producers, they're consumers.

If such is the case then the effort to preserve man's finite resources must go beyond mere contraception and the legal elimination of "unwanted" children by abortion. In allocating our supposedly meager resources, judicious authorities would allow only the most learned, polished, and beautiful people to reproduce, for it is they who will use resources most expediently and they who need them most. After all, as devoted friends of the earth say, a system of "voluntarism" would empower the "stupid and ignorant" (the teeming masses of Latin America and Africa?) to waste our dwindling resources.

Effective population control logically demands that we control not only the number of people on earth, but the kind of people who live on it. And that is a recipe for tyranny. □

IDEAS ON LIBERTY

The Ultimate Weapon

The development of the population control movement should not come as a surprise. For it is, in fact, the logical outcome as well as the final gasp of the liberal Welfare State of today. Supposedly, the basic purpose of the Welfare State is to succor those who cannot take care of themselves, the poor, the elderly, the handicapped. But Garrett Hardin tells us that because of the inevitable "tragedy of the commons" in which the "freedom to breed" inexorably conflicts with equal rights to the common welfare, this Welfare State goal will bring ruin. So, to save its own skin, the Welfare State begins practicing not welfare but "wombfare," destroying rather than nurturing its young.

However, the "tragedy of the commons" is not a justification for population control. It is rather a call for the elimination of the Welfare State. This is because the Welfare State is in the long run a way not of helping people but controlling them. And population control is the last desperate act and ultimate weapon of a Welfare State whose lust for power and instinct for survival knows no political or moral limits.

What population control boils down to is a blatant and brutal attempt to solve problems not by alleviating the conditions that cause them, but by eliminating the people who have the problems. But the idea of eliminating problems by getting rid of people is not new. The concept has been with us always.

—JAMES A. WEBER, *Grow or Die!*

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Private Property from Soweto to Shanghai

by David Boaz

A trip around the world provides evidence of just how wrong Harvard economist John Kenneth Galbraith was in his influential book *The Affluent Society*. (Granted, one need not go nearly so far to find such evidence.)

Galbraith observed that everywhere one looked, privately provided goods and services—homes, automobiles, factories, "handsomely packaged products"—were clean, shiny, and of high quality. Yet publicly provided services—schools, parks, streets—were old, overcrowded, and poorly maintained. Galbraith called it "an atmosphere of private opulence and public squalor."

From those accurate if unremarkable observations, Galbraith drew the remarkably misguided conclusion that the problem was too little spending on the public sector. It seems astonishing today that a brilliant man could have gone so far astray; after all, the economic theory of private property was well known 30 years ago—but maybe not at Harvard. His book, published in 1958, had a great deal of influence on the explosion in government spending over the next decade. We are still paying a heavy price—in high taxes and poor public services—for Galbraith's error.

We are now spending much more on the public sector than we were 30 years ago—real government spending has increased from $528 billion in 1958 to $1,640 billion in 1988—yet government services are still shoddy, overcrowded, and poorly maintained.

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The reason—which Galbraith missed completely—is that shoddiness is inherent in government ownership because of a lack of incentives. Homeowners generally take good care of their property—they paint the house regularly, fix the roof, plant grass and trees, and call a plumber promptly when they discover a leak. Why? Because they are the sole claimants to the property's value. If they try to sell their property, they will reap the benefits of the house's good condition or pay a price for its disrepair. Tenants tend to take less care of their homes, though landlords generally check on the condition of the property regularly. Tenants in government housing show the least concern for the condition of their homes—and because there's no owner who would pay a price for the declining value of the property, no one else has much incentive to improve it. And public housing is always in disrepair, to say the least.

Most privately owned stores are clean and well lit with friendly, helpful clerks—at least compared with, say, the post office. The Postal Service doesn't seek out rude and indifferent employees; it's just that neither its clerks nor their supervisors have anything to gain by treating customers well. On a recent trip around the world, I found shop clerks in Shanghai just as indifferent to customers as U.S. postal workers.

It is economic analysis and, more important, such observations that have created a worldwide trend toward privatization. The Thatcher government has sold public housing units to their tenants, sold Great Britain's largest trucking company to its employees, and sold the telephone company to private shareholders. Japan recently

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sold off its telephone company. New Zealand privatized its national oil company. Nigeria plans to privatize 160 state-owned companies, and Togo intends to sell all of its public-sector enterprises.

Even behind the Iron Curtain, privatization is making inroads. China has in effect privatized agricultural land, and Mikhail Gorbachev has proposed to do the same in the Soviet Union. Cuba has begun allowing tenants to purchase government housing.

Private vs. Public Ownership

On my trip, which took me from South Africa to China (with a few stops in between), I saw some dramatic examples of the differences between private and public ownership, between private opulence and public squalor.

In many ways, apartheid (particularly in South Africa's black townships) was the purest form of communism the world had ever seen. The government built the townships, where urban blacks are forced to live. It built thousands of small, identical brick houses and assigned people to them with no regard to tribal origin, family relationships, income, or personal preferences. Unlike the residents of a normal town, they could not choose to live near their friends or relatives or people of similar educational or occupational background, nor, of course, did they have property rights. Not only could a tenant not sell his house, the government could and did take it away from him at will. Naturally, the unfortunate residents of Soweto did not see much point in taking good care of the houses.

Recently, however, the government quietly began to allow Sowetans to purchase their homes. The results have been just what one should expect: people are cleaning, painting, and fixing up their houses. The first thing they do is make the house look different from the government issue. They buy a wooden door to replace the standard metal one. They cover the brick with stucco—a design choice that I found strange until I was told that the brick symbolizes government housing. They buy decorative windows, put a fence around the yard, and even add a room or an upper floor.

Buyers must generally continue living in the houses they already occupy, which leads to the strange phenomenon of a well-kept, newly enlarged house sitting between two ill-kept government hovels. In a freer market, an affluent homeowner would probably move to a better neighborhood—or someone would buy the houses next door and fix them up—but in Soweto he takes advantage of the few options he has and improves his own lot.

There is a section of expensive new homes in Soweto. (Yes, there are rich people in Soweto; South African blacks have at least some opportunity to become rich, but their money won't free them from the requirement to live in the townships.) A visitor can stand in the middle of this impressive new development and look across the road at the government-provided barracks where single men live under truly appalling conditions. It's a striking example of private versus public property.

At the other end of the scale from the impressive new houses are the shanties, built by blacks who migrated to the Johannesburg area because there was work there and who were denied access to government housing. At first the government bulldozed the shanties, saying that the occupants were illegal squatters. More moderate voices finally persuaded the government that because it was not providing those blacks with housing (or allowing them to live outside the townships), it should at least leave the shanties alone. So now the shanties are tolerated, but they have no legal right to exist. The residents of the shanties don't bother to improve them—the government retains the right to expel the occupants or bulldoze the buildings at any time—but inside are appliances and televisions for which electricity is supplied by enterprising neighbors. In other words, Galbraith could find private opulence and public squalor within one small shack; people spend their money on the things they can own.

Obviously, a civilized South African government would repeal the Group Areas Act and let people live wherever they want to live. But the incentives of privatization and property rights can work even in the interstices of freedom overlooked by a repressive government.

China: "One Big Soweto"

In many ways, China is one big Soweto. Housing is owned and allocated by the government. Not surprisingly, the housing stock is old, over-

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crowded, dirty, and in disrepair. One gets the impression that little has been built and nothing has been washed since the Communist takeover in 1949.

Once again, the market works at the edges. Because of the de facto privatization of agricultural land, rural Chinese are more prosperous than city dwellers. I was told that two million people come into Shanghai every day to shop, and the tourist on Nanjing Road or in No. 1 Department Store wouldn't doubt it. For obvious reasons, people spend little money on the upkeep of their homes, but many are well dressed, and a Shanghai college student spoke disparagingly of the unfashionable clothes that "we won't buy" in a state department store. Old habits die hard, though; he explained to me that privately run stores are not permitted on Nanjing Road "because this is the main shopping center."

Appropriately enough, while I was in China for a conference on economic reform, the government announced plans to begin selling houses to the tenants. The professed reason was to dampen demand for appliances, which consumers were spending too much on; I hope that was just a cover story to obscure the fact that the largest Communist government in the world was legalizing private property. Presumably the Chinese government has noticed the success of privatization and property rights in the West; on its doorstep in Hong Kong, Taiwan, and South Korea; and finally in its own rural areas.

If China does in fact privatize a significant amount of its housing, I fully expect that when I return I will see not only housing that has been built since 1949, but older housing that has been repaired and even washed.

From the United States to Soweto to Shanghai, economic forces are the same. Owners have an incentive to take care of their property, but government property is owned by everyone and therefore by no one. It is no mystery that China's housing is run-down or that America's infrastructure is falling apart while shiny new office buildings are going up in every U.S. city.

Experience shows that the relationship between private opulence and public squalor is the reverse of what John Kenneth Galbraith concluded. The public sector will always tend to be squalid, which is why leaders around the world—from Margaret Thatcher to Deng Xiaoping—are moving essential services into the private sector. With a little more of this, the whole world could become the affluent society. □

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The Market for Low Cholesterol

by Michael Walker

Just about every time conversation turns to food these days, the subject of cholesterol isn't far behind. Saturated fats, so it is said, are the source of fatty build-up in our veins and arteries, causing restricted blood flow and in many cases premature death from heart attack or other afflictions. During such discussions, even my most laissez-faire friends often intone that the government should do something about this problem. According to these well-intentioned folks, producers of prepared or manufactured foods, which often use large amounts of shortening or oil containing saturated fats, ought to face regulation of what and how much they can use. The problem, they note, is that competition among these producers leads them to purchase the cheapest ingredients they can find. In so doing, they are able to undercut the prices of their competitors and attract gullible consumers who can't even pronounce most of the ingredients on the package. Here is a case, we are told, where untrammeled free enterprise leads to an outcome which is in nobody's interest. So, for the sake of their health, even diehard opponents of big government say that this is a special case, and therefore we need a regulation to solve the problem.

Until recently, I would have been inclined to agree with that assessment. However, I have been reading about developments which suggest that there is a market in caring about cholesterol. In fact, the market is working right now to reduce the amount of saturated fats in the foods we eat.

It turns out that a principal source of oils in shortening and similar products is tropical vegetables such as palm and coconut. Of course, as anyone who has watched the television ads for margarine can tell you, there are alternative sources of oil, such as soy and corn, that do not have the same problems as palm and coconut. The suppliers of these alternatives are not unaware of the fact that anyone convinced of the merits of eating polyunsaturated fats is a potential customer.

These producers, therefore, in pursuit of their own interests, have been engaging in increasingly active campaigns to tout the benefits of their polyunsaturated oils and the hidden dangers of tropical oils. For example, a recent *Wall Street Journal* story noted that ads in food-industry magazines have depicted a coconut as a bomb with a fuse ready to explode. The caption reads: "Warning, coconut oil may be hazardous to your health." They have been joined by a new organization, the National Heart Savers Association, that encourages people to eat a healthier diet.

The campaign is working. Kellogg, Frito-Lay, Pepperidge Farm, and Hardee's all have switched rather than fight the polyunsaturated tide. Palm oil imports into the U.S. last year were 44 percent below their 1986 level. At this rate, saturated fats will have been driven from the market, by the market, in the consumer interest. □

Dr. Walker is Executive Director of The Fraser Institute, Vancouver, Canada.

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Making Dough in the Heartland

by Ann Weiss Rogers

Pizza shops generally don't crop up beside corn fields, but in Stoutsville, Ohio, where the main drag is a post office, a pizza shop is thriving. What's more unusual than its location, however, is that the business is located in a trailer.

My brother-in-law, Randy, is proprietor and sole employee of Randy's Pizza-Subs-Sandwiches. When he purchased a building in that rural area several years ago, he envisioned renovating the two apartments and converting the third, which was unfinished and used for storage, into a pizza shop. But the problems Randy encountered proved to be both a lesson in how not to go about starting a business and how difficult the government makes it for individuals who start one with limited capital.

Randy had been a hog farmer for 15 years before he decided there had to be a better way to make a living. He thought a steady paycheck would be the answer to everything he ever wanted, but several years of working for others changed his mind. Consequently, when he saw that building for sale in Stoutsville, Randy didn't see a run-down, old structure that needed a tremendous amount of work, he saw an opportunity for self-employment.

Since the two apartments were basically set up, Randy's first priority was getting them ready and rented. He had used the equity he had in his farm to purchase the building, and he had given up his steady paycheck in order to work full time on it. As a hog farmer, though, he was used to living on next to nothing, and his children also knew that whatever money there was would go into the business. And, initially, everything was progressing according to his plan; after several months of cleaning, dry-wall work, painting, and some electrical work, he had both apartments finished and rented.

He then began working on the pizza shop. I followed his progress mostly through phone calls. I heard about the work he was doing at the time—putting in the counter wall, for instance—and all the jobs ahead: the plumbing that had to be done for the work-area sink and the rest room, the rewiring for the ovens, the floor he had to lay down, and all the painting and finishing work. I rejoiced with him when he called and said he was ready to move in his equipment. Then I got his next phone call. There wasn't going to be a pizza shop, he told me. He had talked to the local Health Department the previous day, and had learned that everything he had done was wrong. Before he could build a pizza shop, the Ohio Environmental Protection Agency had to approve his water supply and sewage system; the Bureau of Environmental Health had to approve his plumbing; the Ohio Department of Industrial Relations had to ap-

Ann Weiss Rogers is an attorney living in Ormond Beach, Florida.

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Before Randy could build a pizza shop, the Ohio Environmental Protection Agency had to approve his water supply and sewage system; the Bureau of Environmental Health had to approve his plumbing; the Ohio Department of Industrial Relations had to approve his building plans; he also needed zoning approval from local authorities.

prove his building plans; he also needed zoning approval from local authorities.

For example, to get approval from the Ohio Department of Industrial Relations, Randy had to file an Application for Certificate of Plan Approval, which had spaces for him to fill in the Ohio Registered Architect, the Ohio Professional Engineer, and the Ohio Sprinkler System Designer he had used. For this certificate alone, processing fees were $500 plus an additional charge, based on the square feet of the establishment, for each of five categories (Structural, Electrical, Sprinkler, Industrialized Unit, Life Safety Code Review).

And all this came prior to dealing with the Health Department, which had its own set of requirements. In addition to duplicates and triplicates of the previous approvals, the Health Department wanted plans drawn to scale of the location of water supply; sewage disposal; total area used for food service operation; entrances and exits; location, number, and types of all plumbing fixtures; lighting, both natural and artificial; general layout of fixtures and other equipment; building materials to be used; outside openings; and manufacturer's name and model numbers on all equipment. Randy was told to expect the whole application process to cost a few thousand dollars.

A Change in Plans

It wasn't the cost or the arduous nature of the application process that caused Randy to change his plans. And it never reached the point where Randy's construction, plumbing, or electrical work became an issue. Rather, the whole issue came down to whether his water supply and sewage system could pass the Ohio Environmental Protection Agency's (EPA) inspection.

Stoutsville doesn't have a town sewage system. If it did, then its water disposal and sewage system probably would already have had EPA approval. The EPA clearance would involve merely testing Randy's tap. Prospective businesses in bigger towns and cities, and facilities that already have businesses in them, basically get an automatic EPA nod. But the poorer rural areas, which have no businesses in them, stay poor.

"Isn't there any way to get EPA approval?" I asked Randy. He said it would be too expensive, and he was afraid even to try. They might question his having apartments, and then he'd risk losing his entire investment.

His only recourse, he told me, was to convert the pizza shop into a third apartment. I was disheartened. Randy wasn't a novice in the pizza business. A few years back he had bought a pizza shop near his farm in Williamsport, and had sold it a year later after doubling its business. But that pizza shop was established before all those regulations had gone into effect. Under a grandfather clause, it could continue to operate even though Williamsport wasn't much bigger than Stoutsville and wouldn't meet EPA requirements either. So what hope was there for the rural entrepreneurs yet to come? Were they all destined to leave for the city?

Randy concluded that the individual entrepreneur hasn't got a chance because government regulations favor established businesses. The big pizza chains have the money to hire architects and sprinkler designers and to pay thousands of dollars for government processing fees—not to mention the real estate costs of starting a business in the city. But in the rural areas where buildings and land are more affordable to the individual, government regulations make starting a business unaffordable.

The next time I heard from Randy, however, he was jubilant. He had figured it out, he said. He was going to have a pizza shop in Stoutsville after all, but it wouldn't be subject to any EPA or building or plumbing approval. He was going to convert a trailer and park it behind his building. A trailer is a mobile food service operation,

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Randy's solution: "a mobile food service operation," parked behind his building.

which is subject to different rules. And this time he had talked to the appropriate authorities. He would need just a Health Department inspection. And he could get his trailer licensed by the Health Department in Pickaway County, which was where he lived, even though he was going to operate his business in the adjacent Fairfield County. This is because the license for a mobile food service operation has to be honored in every county in the state no matter what county it is licensed in. The license would cost $25 a year.

He had discovered a loophole, but like most loopholes, it carried a price tag. Buying and converting the trailer cost $3,000 more than he had figured to spend. And it took several more months than he had planned. But he had his first pizza ordered before he had even officially opened for business. "It's about time something like this opened up here," the customers tell him. Little do they know just how much it took. □

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A REVIEWER'S NOTEBOOK

The Wealth Creators

by John Chamberlain

There is a widely disseminated complaint that our college faculties are still living in the Sixties. Maybe the secret opinions of the tenured Left remain what they were. But when Ben Hart, a founding editor of the conservative *Dartmouth Review*, says the campuses are moving to the Right, we must believe him.

Hart gets his knowledge from talking to students who are going for Ph.D.'s. They are not liberal. William J. Dennis, Jr., writing on the American entrepreneur for Hillsdale College's *Imprimis*, corroborates Hart. "Students," he says, "flock to college entrepreneurship courses. Academics produce scholarly articles on subject matters previously confined to 'C' level journals. . . . And the rekindled job generation machine known as American small business leaves Europeans astonished and envious."

A Trinity College professor, Gerald Gunderson, has just published a notable book called *The Wealth Creators: An Entrepreneurial History of the United States* (New York: E.P. Dutton, 278 pages, $18.95). Gunderson has a unique faculty for questioning in the middle of summarizing. American entrepreneurs, he says, "are not immobilized by the prospect of competing with Japanese imports, because their prime function is opening *new* areas of competition. When Americans withdrew from serious competition in ocean shipping at the beginning of the nineteenth century, better opportunities were also bidding away its resources. The current American advantage in international trade is the entrepreneurial function of creating new enterprises or equity. Not only are Americans unchallenged in creating the new systems of participatory management, but they are the world's leader in creating new businesses as well. No other society prompts so many of its members to take the plunge to fashion their own ventures." In writing his history Gunderson avoids the quest for villains. He even has good words to say for Jay Gould. "The elevation of Gould into a symbol of all that was evil in the robber baron era," he says, "was not an accident. It helped many cope with their deep-seated concern that society was getting out of control by providing a personification of a new environment in which ordinary individuals were losing control of their lives. A strong indication of the attraction of this approach was that it applied to almost every famous entrepreneur of the era, including the one who took up the role of Jay Gould in railroads, Edward Harriman."

Like Gould, Harriman became a symbol of developments that worried much of the population. "They thought he had too much power. But the ability of such people as Carnegie, Rockefeller, Harriman and Gould to control markets was much less than the creative contribution that they made to their respective industries."

Gunderson's calm approach plays down the often fractious role of individual writers in ridding the entrepreneurial scene of myth. It took Louis Hacker some 20 years to turn Andrew Carnegie into something better than a monster. John T. Flynn had to labor long and hard to prove that Rockefeller's rationalization of the oil business helped to benefit the consumer. The Rockefeller rebate scheme fell through before it could get going. Rockefeller might have been able to raise kerosene prices above the competitive level of ten cents a gallon in the Nineties, but, as Gunder-

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son says, it "would have required an unimaginable effort to put them back up to the level of one dollar a gallon, where they were when he began operations in the 1860s."

It bothers me that the names of Louis Hacker and John T. Flynn are neither in the Gunderson index nor in the annotated bibliography. It is bothersome, too, to search in vain for the names of Ida Tarbell and Lincoln Steffens and other muckrakers of the early 1900s. Tarbell was certainly prejudiced in fighting her family's battle with the Rockefellers, but she is part of our journalistic history. It is strange, too, that Gunderson can frequently mention the robber barons without listing the title of Matthew Josephson's best seller.

But Gunderson, after all, did not set out to write journalistic history. He wanted merely to tell a story. He has done it in a relaxed way that is reminiscent of the style of Hendrik Willem van Loon's *The Story of Mankind.*

An incidental virtue of Gunderson's story is its economic insights. For example, the factors of production in economics are usually listed as land, labor, and capital. But many of Gunderson's enterprisers had nothing much to work with other than their brains. So labor has to be expanded as a category to include the ability to foresee and to manage.

Sometimes the ability to foresee misfires. Gunderson tells some of the market failures that have resulted. Procter and Gamble couldn't get a profitable share of the market for its potato chips, Pringles. Du Pont couldn't market Corfam, its substitute for leather. But there is serendipity, too. The story of the accidental discovery of penicillin cannot be told too often. □

LEXICON OF ECONOMIC THOUGHT
by Walter E. Block and Michael A. Walker

The Fraser Institute, 626 Bute Street, Vancouver, B.C., Canada V6E 3M1 • 1989 • 390 pages • $29.95 (U.S.) cloth, $19.95 (U.S.) paper

Reviewed by Robert W. McGee

As the title states, this book is a lexicon of economic thought. Each of the several hundred economic definitions is one to three pages in length. But unlike other lexicons and dictionaries, this one presents a point of view—the free market view—rather than just a series of dry definitions. The definitions and examples take a Canadian slant (the book is published in Canada) but have value to a worldwide audience.

Many of the references contain humor. For example, the entry for "scalpers" starts off: "Next to husbands, scalpers are the most misunderstood group in our society." The "politics" entry cites H. L. Mencken's famous quote that elections are a kind of futures market in stolen property. The "social justice" definition sounds like it could have been written by F. A. Hayek. Social justice does not exist. Only individuals can be just or unjust, and only individuals can be treated justly or unjustly. The concept of social justice is used by government as an excuse to justify all kinds of intervention ranging from affirmative action to the progressive income tax.

"Economic justice" is explained as follows:

> While entitlements are always expressed positively, such as, "she has a right to support from the state," the truth of the relationship is quite different. In fact, the only way somebody can be delivered the right to support is if some other person is denied access to the resources they have earned. In the most prosaic terms, for every person who receives a dollar they didn't earn, somebody else earns a dollar they don't receive.

Affirmative action means that employers must look not only at an applicant's intelligence, character, and experience, but also at whether the person is a woman, a native Canadian, or handicapped. The American view of affirmative action would include other groups as well. The authors state that this policy is unjust and give economic and ethical reasons for their view.

In the "airline deregulation" entry, the authors mention George Stigler's position that government regulation really doesn't protect consumers, but serves to create a kind of producers' cartel. Airline regulation limits competition, thereby putting up barriers to market entry. This stifles competition, so there is less pressure to reduce prices or improve quality, and the consumer suffers. Since Canadian and U.S. airlines have been deregulated, prices have fallen and more people travel by air. The increase in air traffic has caused

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some congestion because the same number of airports now must handle more traffic.

The authors also debunk the fallacy that deregulation has caused travel-related deaths to increase. One study they cite found that lower air fares caused some travelers to take airplanes rather than cars, which reduced auto fatalities. Since air travel is safer than auto travel on a passenger mile basis, overall safety has increased since deregulation.

The entry on "broadcast regulation" debunks some of the more popular myths about this widely misunderstood subject. The authors relate the story of the hearings that the Canadian Radio-Television and Telecommunications Commission has been holding on whether religious organizations should be allowed to have broadcasting licenses. They point out that having to ask permission to broadcast is the same, in substance, as having to ask government permission to publish newspapers, magazines, and journals. Broadcasting is a form of free speech, and just like other forms of free speech, there should be no need to ask government permission.

However, the argument goes, broadcasting is different from other forms of free speech. The electromagnetic spectrum isn't the kind of thing that can be privately owned. It is a public good, and as such, must be controlled by government. But this is not so. All that is needed is to insure that proper boundaries are set on the spectrum so that one station doesn't encroach on another's wave length. It is a property rights solution.

Another common argument is that there aren't enough frequencies to go around, so government must allocate them. But this argument just points out that economic scarcity exists, which is nothing new. Scarcity is nearly a universal phenomenon. Government isn't needed to allocate other scarce goods and services, so why is it needed to allocate airwaves?

Each topic in this book is short and can be read in a minute or so, which makes it attractive to someone who doesn't have large blocks of time to devote to reading. The book is also a handy reference for those who want to take a quick look at the free market position on a particular subject. □

Professor McGee teaches accounting at Seton Hall University.

IF EVERYBODY BOUGHT ONE SHOE: AMERICAN CAPITALISM IN COMMUNIST CHINA

by Graeme Browning

Hill & Wang, Keystone Industrial Park, Scranton, PA 18512 • 1989 • 189 pages • $18.95 cloth

Reviewed by E. Calvin Beisner

China has been every merchant's dream for centuries: a quarter of the world's population as potential customers. The possibilities for profit are staggering. But for centuries merchants have dealt with unique obstacles in trading with China. And after 1949, when the Communists took over, the dream turned to a nightmare. The doors slammed shut, seemingly forever.

Until 1979. Then, with a flourish, China threw open its doors. It invited foreign businesses to enter joint ventures with (mostly state-run) Chinese companies and to sell (mostly through state-run companies) to the Chinese people. The dreams turned rosy again.

But will reality match the dreams? If the experiences of most American firms operating in China in the past 10 years foreshadow things to come, not likely.

Financial journalist Graeme Browning tells these firms' stories in fascinating style. The majority of her book is built on interviews with American executives who tried—or still are trying—to do business in joint ventures in China. Most of the stories are of high hopes crippled or crushed by harsh reality. All of them are of American businessmen meeting obstacles they never could have imagined in their worst nightmares.

The horror stories are impressively consistent: workers so undernourished they can't stay awake on the job, so undisciplined they won't work when they can, so used to being taken care of that they figure they needn't work, so unskilled and lacking in tools that they can't work productively even when they want to; bureaucracies so tangled that they're almost impenetrable, bureaucrats so corrupt that nothing gets done without bribes; a legal system so infantile that contracts are unenforceable and almost never fulfilled; an infrastructure so fractured and unde-

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veloped that getting from place to place by rail, air, phone, or road takes many times longer than in almost any other part of the world—if it can be done at all. One wonders, after reading the book, why anyone bothers to try to do business with China.

The answer is obvious: Even if everybody in China bought only one shoe, that would be a billion shoes sold. The potential market is so huge that companies that can afford to look far into the future almost can't afford to ignore it. They want to get in on the ground floor of relations with China, if they possibly can.

But that potential market must not be mistaken for a real market. For example, the yuan, the Chinese unit of currency, isn't exchangeable into dollars on the world market. And even if Chinese per capita annual take-home pay were around $450 (a generous estimate; the real figure is nearly impossible to estimate with any degree of accuracy), the resulting $450 billion annual market would be only about 15 percent of the size of the American market, with its mere 240 million people. And at that, the vast majority of Chinese income must be spent on things necessary to survival —items that now make up only a small part of the total American economy.

To make matters worse, even companies that get in on the ground floor can have no rational sense of security, because they never know when even *that* will cave in under them. The Chinese government that massacred students in Tiananmen Square could, at any moment, nationalize all investments, close the doors to trade, raise taxes to confiscatory levels, and invalidate all contracts.

The Chinese market, despite its great potential, is presently incongruously small and frightfully shaky. There is plenty of reason to doubt that it will develop into a major market in less than 50 years. Its track record certainly gives no reason for confidence. At best, productivity in China's state-owned industry grew by 0.7 percent per year during the last two decades, when the rest of Asia was booming; at worst, it shrank by 0.2 percent per year. (The difference in estimates, both made by the same World Bank economist, demonstrates another frustration of doing business in China: There's no sound accounting and pricing system, so estimating economic performance is nearly impossible.) Nonetheless, if, against all odds, the Chinese market does overcome its seemingly insurmountable barriers to growth, it will become so huge that many businessmen will find it hard to resist the temptation to take the risks involved in entering the China trade.

If Everybody Bought One Shoe, while not consciously polemical, has the interesting side effect of revealing the reasons for the failure of socialist central planning to engender a healthy economy. A socialist economy lacks the incentives to get people to do more than the bare minimum for survival, the information-processing mechanism to distribute resources according to needs, and the flexibility to support innovation.

The book is informative, well researched (but poorly documented and with no index), and up-to-date. It deals with a country that, for most Americans, has been a mystery, yet could become one of our major trading partners and competitors in the next century. Anyone could gain understanding of China by reading it. Certainly anyone considering doing business in China and who isn't already an expert on the subject could profit from reading it. □

E. Calvin Beisner is the author of Prosperity and Poverty: The Compassionate Use of Resources in a World of Scarcity.

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The ideal of freedom is to let anyone do anything he pleases, as long as his behavior is peaceful, with government empowered to keep the peace—and nothing more. An ideal objective, true, but one that must be pursued if we would halt the continuing descent of our society from bad to worse. Nothing short of this will suffice. And unless we fully understand the ideal—and what makes for its attainment—we'll tend to settle for powerless, futile little pushes and shoves that yield no more than a false sense of something done.

—Leonard E. Read

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—HENRY HAZLITT

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